



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

April 1, 2005 - September 30, 2005

# GSA's SIGNIFICANT MANAGEMENT CHALLENGES

The Congress requested the Inspectors General of major Federal agencies to report on the most significant management challenges facing their respective agencies. Our strategic planning process commits us to addressing these critical issues. The following table briefly describes the challenges we have identified for GSA and references related work products issued by the GSA OIG and discussed in this semiannual report.

| CHALLENGES  | BRIEF DESCRIPTION OF CHALLENGE   | PAGE                   |
|---|--|------------------------|
| <b>ACQUISITION PROGRAMS</b>                           | Merging GSA's procurement organizations will yield a single acquisition service awarding and administering governmentwide contracts worth \$40 to \$50 billion. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals, such as ensuring competition and meaningful price analysis, has diminished.                                 | 3 – 5,<br>14 – 23      |
| <b>CONTRACT MANAGEMENT</b>                            | GSA's multibillion dollar acquisition programs have expanded rapidly in terms of sales, variety, and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands. | 5 – 7                  |
| <b>INFORMATION TECHNOLOGY</b>                         | Technology applications have increased exponentially as "E-Gov" is used to better manage operations and interface with the public, but complex integration and security issues exist.  | 7 – 11                 |
| <b>AGING FEDERAL BUILDINGS</b>                        | GSA is being challenged to provide quality space to Federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.  | 11 – 12                |
| <b>MANAGEMENT CONTROLS</b>                            | Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The need for strong internal controls underlies several of the other management challenges.   | 12 – 13                |
| <b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b> | GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.   | No Reports This Period |
| <b>HUMAN CAPITAL</b>                                  | GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21st century workforce.   | No Reports This Period |

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## Foreword

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*This report, submitted pursuant to the Inspector General Act of 1978, as amended, summarizes the activities of the Office of Inspector General (OIG) for the six-month reporting period that ended September 30, 2005.*

*During the past six months, we continued to work with GSA to identify business management and operational improvements in the Agency's programs and activities. We issued reports focusing on the major challenges facing the Agency, particularly in the areas of acquisition programs, contract management, information technology, aging Federal buildings, and management controls.*

*In cooperation with the Department of Defense (DoD) Office of Inspector General, we conducted additional audit work designed to respond to Congressional concerns regarding the Federal Technology Service's (FTS') Client Support Centers' (CSCs') compliance with Defense procurement requirements. Through our 2005 reviews, we determined that the European CSC was compliant and that the 11 remaining CSCs were making significant progress toward becoming compliant. We reviewed 182 task orders valued at \$2 billion and found that national controls were implemented in all of the CSCs, and considerable progress was being made to overcome past procurement compliance deficiencies. Currently, we are conducting follow-up testing of controls, in cooperation with the DoD OIG, for the 11 CSCs determined to be not compliant but making significant progress. We plan to report on this additional work by March 2006.*

*During this reporting period, the Administrator has taken steps to begin merging GSA's acquisition services — the Federal Supply Service (FSS) and FTS — into the new Federal Acquisition Service (FAS). The reorganization is intended to streamline organizational structures and strengthen GSA's capability to provide excellent acquisition services to customer agencies at the best value, and to make it easier for contractors to understand and participate in GSA's acquisition processes.*

*At the same time, in the midst of the merger, the Agency is experiencing significant human capital challenges, with a significant loss of senior managers, several layers deep in some organizations, and the array of morale and other issues concomitant with a major reorganization. Perhaps most notably, as this report is issued, the Agency will also see the departure of Administrator Perry, who is leaving GSA as of October 31, 2005, after more than four years of distinguished leadership and service.*

*This period, we identified over \$682 million in financial recommendations on how funds could be put to better use. We achieved over \$507 million in management decisions agreeing with audit recommendations, civil settlements, and direct recoveries. We made 246 referrals for criminal prosecution, civil litigation, and administrative action. Criminal cases originating from OIG referrals resulted in 28 successful prosecutions.*

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## Foreword

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*On a personal note, this is the first Semiannual Report I am submitting as GSA's Inspector General. As I begin my tenure, I look forward to continuing to build on the OIG's traditions of excellence and service. I am honored by and welcome the opportunity to work closely with GSA's leaders and the Congress to help ensure the effectiveness, efficiency, and integrity of the Agency's programs and operations.*



Brian D. Miller  
Inspector General  
October 31, 2005

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## Summary of OIG Performance

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### ***OIG Accomplishments***

**April 1, 2005 – September 30, 2005**

|   |               |
|---|---------------|
| Total financial recommendations   | \$689,855,971 |
| These include:  |               |
| • Recommendations that funds be put to better use                               | \$682,286,350 |
| • Questioned costs  | \$7,569,621   |
| Audit reports issued  | 85            |
| Referrals for criminal prosecution, civil litigation, and administrative action | 246           |

### ***Results Attained***

|   |               |
|---|---------------|
| Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries | \$507,575,881 |
| Indictments and informations on criminal referrals  | 63            |
| Cases accepted for criminal prosecution   | 35            |
| Cases accepted for civil action   | 9             |
| Successful criminal prosecutions  | 28            |
| Civil settlements and judgements  | 9             |
| Contractors/individuals debarred  | 38            |
| Contractors/individuals suspended   | 40            |
| Employee actions taken on administrative referrals involving GSA employees  | 13            |

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## *Fiscal Year 2005 Results*

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During Fiscal Year (FY) 2005, OIG activities resulted in:

- Over \$1 billion in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- 183 audit reports that assisted management in making sound decisions regarding Agency operations.
- \$543 million in management decisions agreeing with audit recommendations; civil settlements; and court-ordered, audit, and investigative recoveries.
- 228 new investigations opened and 171 cases closed.
- 60 case referrals (189 subjects) accepted for criminal prosecution and 14 case referrals (19 subjects) accepted for civil litigation.
- 103 criminal indictments/informations and 48 successful prosecutions on criminal matters referred.
- 11 civil settlements and judgements.
- 29 employee actions taken on administrative referrals involving GSA employees.
- 56 contractor/individual suspensions and 62 contractor/individual debarments.
- 212 legislative matters and 44 regulations and directives reviewed.
- 2,190 Hotline calls and letters received of which 198 warranted further GSA action.

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## Executive Summary

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During this period, the OIG continued to direct its audit, investigative, and evaluative resources to address what we believe to be the major management challenges facing the Agency. We provided a wide variety of services, including program and financial audits; management control assessments; contract reviews; and investigative coverage and litigation support in civil fraud and enforcement actions, criminal prosecutions, contract claims, and administrative actions. We also continued to provide professional assistance services and reviews of proposed legislation and regulations.

### **Management Challenges**

We have highlighted a number of reviews that address major management issues facing GSA. We continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. During this period, our efforts included work focusing on acquisition programs, contract management, information technology (IT), aging Federal buildings, and management controls. We did not issue any reports on the two remaining challenges — human capital and the protection of Federal facilities and personnel. Work is underway in these areas, and we expect reports to be issued in FY 2006.

### **Major Agency Issues**

On September 9, 2005, the Administrator signed the order to establish the Federal Acquisition Service (FAS), merging GSA's acquisition services — the Federal Supply Service (FSS) and Federal Technology Service (FTS). The goal of this major reorganization is to streamline organizational structures and strengthen GSA's capability to provide excellent acquisition services to customer agencies at the best value, and to make it easier for contractors to understand and participate in GSA's acquisition processes. However, combining segments of FSS and FTS operations into a new organization will create management challenges in these areas. Also, as part of the reorganization, the Office of the Chief Financial Officer (OCFO) is planning for the merger of the Information Technology and General Supply Funds into the Acquisition Service Fund. In merging these two revolving funds, management will be faced with the significant challenge of ensuring that the transition process does not adversely impact operations and that sufficient controls are in place over the new fund. In addition to facing major changes to its program structures and organizational alignments, the Agency is confronted with a significant loss of senior executives. With their departure goes a great reservoir of seasoned experience, knowledge of Agency operations, and established business relationships. Within calendar year 2005, the positions of Administrator, the three service commissioners, as well as several other senior management positions have seen their incumbents depart, creating substantial human capital challenges that must be addressed promptly (page 2).

### Agency issues

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## Executive Summary

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### FTS contracting practices and Agency improvement actions

#### Acquisition Programs

Since FY 2002, we have been reviewing contracting practices at FTS' Client Support Centers (CSCs), identifying numerous improper task orders and contract awards. As a result of our work, the Administrator and FTS Commissioner undertook a number of corrective actions, including the "Get it Right" initiative, launched in conjunction with the Department of Defense's (DoD's) Director of Defense Procurement and Acquisition Policy. This initiative was designed to ensure the proper use of contract vehicles and services, and includes educating and training acquisition employees, aligning performance measures with program goals and standards, publishing new contracting regulations and procedures, and validating the proper use of GSA contract vehicles and services. In cooperation with the DoD Office of Inspector General, we conducted additional audit work designed to respond to Congressional concerns regarding the CSCs' compliance with Defense procurement requirements. Through our 2005 reviews, we determined that the European CSC was compliant and that the 11 remaining CSCs were making significant progress toward becoming compliant. We reviewed 182 task orders valued at \$2 billion and found that national controls were implemented in all of the CSCs, and considerable progress was being made to overcome past procurement compliance deficiencies. Currently, we are conducting follow-up testing of controls, in cooperation with the DoD OIG, for the 11 CSCs determined to be not compliant but making significant progress. We plan to report on this additional work by March 2006 (page 3).

### Expanded Direct Delivery Program

GSA's Office of Global Supply directs the policy, programs, and worldwide operations for the Stock, Special Order, and Expanded Direct Delivery Program (EDD). In the spring of 2003, Global Supply began offering office products and tools to GSA customers through EDD. Global Supply awarded two EDD blanket purchase agreements (BPAs) — Office Products, with an approximate two-year value of \$45 million, and Tools, with an approximate two-year value of \$55 million. To ensure the timely processing of customer orders, the Statement of Work included a performance metric for 95 percent of orders to be delivered within seven days of receipt. Based on a sample of orders, we found that the vendors had order fill rates of 82 to 88 percent. In addition, we found a number of backorders, some as old as 200 days. In our report, we recommended that Global Supply establish incentives for EDD contractors to achieve performance metrics on order fills and back orders. In addition, questions concerning competition and price analysis have been raised since Global Supply is planning to expand the EDD program using BPAs with tool and supply companies that already have Multiple Award Schedule (MAS) contracts for other products. We recommended that EDD incorporate changes to competition or price analysis strategies suggested by Agency counsel and FSS into EDD policies and procedures (page 4).

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## Executive Summary

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### Western Service Center review

#### Contact Management

The Western Service Center (WSC), located in Seattle, Washington, manages 35 government-owned buildings and space leased in 114 commercial buildings located in the State of Washington. Our review focused on the propriety of WSC procurements and the effectiveness of contract administration. We concluded that the WSC adhered to applicable laws, regulations, and established policies and procedures when conducting procurements. Additionally, contract administration was generally effective. However, we did note the need to improve the file documentation for some procurement actions, purchase card transactions, and travel vouchers (page 5).

### Contractor Assessment Initiative

The Contract Management Center within FSS has undertaken the Contractor Assessment Initiative to assess contractor performance and increase the value of the MAS program to its customers. While several Contractor Assessment Initiative components are planned, only the Administrative Report Card has been implemented at this time. The Report Card was created to assist contracting officers in making decisions about exercising contract options and awarding additional contracts. In our review of the Report Card, we found that the current format, content, and rating and weighting system for the questions affect the reliability of the contractor performance rating and do not address several key contractual issues (page 6).

### IT Security Program

#### Information Technology

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, document, and implement an agency-wide information security program to secure Federal information systems. GSA has developed an IT Security Program, which continued to make progress in 2005, but challenges remain with implementation. A closer look at required security controls for ten systems identified areas where additional improvements are needed. For example, GSA's system Certification and Accreditation process was not consistently implemented for the systems reviewed, and Plans of Action and Milestones were not always being used to effectively mitigate known security weaknesses. System contingency plans were not always developed and tested. Some system owners were not comprehensively identifying and managing technical security weaknesses for their systems. In addition, background checks were not always completed for contractors before granting them access to sensitive GSA systems, a condition reported in 2003 and 2004 (page 7).

### Comprehensive Human Resources Integrated System

The Comprehensive Human Resources Integrated System (CHRIS) is GSA's Web-based Human Resources (HR) system. It is based on a commercial-off-the-shelf product and customized to support a range of HR and reporting functions intended to meet the needs of GSA and its approximately 8,600 external customers. We found that although the original intent for CHRIS was to provide a comprehensive, integrated HR system, GSA's

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## Executive Summary

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strategic efforts with the system have been impeded by user reluctance to use the system and the availability of duplicative system functionality provided by other GSA systems. GSA has also faced challenges in marketing CHRIS to new customers. Due to an insufficient customer base, CHRIS is not recovering costs or generating the revenue originally expected. We issued a restricted letter report that identified specific technical control vulnerabilities for the CHRIS Oracle database that, if exploited, could compromise the confidentiality, integrity, and availability of the system. In addition, several areas of system security risk that could lead to system vulnerabilities or unnecessary risk were identified through our annual review as part of our responsibilities under FISMA (page 8).

### GSA Advantage!™

GSA Advantage!™ (Advantage) is an Internet catalog and ordering system, accessible 24 hours a day, seven days a week, that allows over 400,000 registered Federal Government customers worldwide to obtain information on over nine million products and services from more than 14,000 GSA and Department of Veterans Affairs (VA) Schedule vendor contracts and from GSA warehouses. Advantage is intended to save customers time and money by reducing acquisition paperwork, streamlining the online purchasing process, and providing best value with electronic access to MAS products and services. While sales through Advantage have grown from less than \$5 million in FY 1996 to nearly \$300 million through August of 2005, they account for only about 10 percent of orders that could be processed through the system. In our review, we found specific shortfalls with the Advantage management, funding, and planning process, including the absence of a consolidated group or designated individual responsible for the system. In addition, we observed a lack of a clear process for prioritizing system requirements. We also noted that some vendors complain of delayed visibility of their products when they upload their files — deficient programs, processes, and file capacity contributed to these problems. Finally, we noted that FSS has spent more than \$1.9 million developing five virtual stores as a marketing device for Advantage; however, customers are not using these stores as expected (page 10).

### Aging Federal Buildings

It has been a struggle for GSA to keep up with the growing repair and modernization needs of its inventory of 1,200 buildings. At the end of FY 2004, GSA estimated that the cost of needed repair and alteration work had grown to over \$6 billion, 50 percent higher than five years earlier. The backlog is growing due to the lack of available funding for these projects. The projects are funded yearly through the Federal Buildings Fund (FBF), a revolving fund financed by rents received from other agencies. However, the fund has not generated sufficient income over the years to keep up with all of the needs of GSA's buildings. The OIG performed an audit to determine if GSA has an effective strategy to repair and modernize federally-owned buildings. We found that the Public Buildings Service (PBS) has developed a methodology using multiple information systems to identify building

### Repair and Alterations Program

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## Executive Summary

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deficiencies and then to inventory and schedule the repair and alteration projects for its buildings. However, the methodology is not being implemented on a consistent basis. In addition, PBS has not fully developed its strategy to repair or modernize its buildings, nor does it establish the relative benefits and priorities of all competing projects (page 11).

### Management Controls

Stemming from an FY 2004 Alert Report on GSA's Construction in Progress (CIP) account balance, we issued separate reports to the OCFO and PBS on the controls over the statistical sample adjusting journal entry as recorded in the FBF. In our audit of PBS, we found that the controls over the data used in the preparation of the statistical sample need improvement, and that PBS needs to improve the documentation of the internal controls over CIP reporting. Our audit of the OCFO found that action is needed to strengthen the internal controls over the review and approval of adjusting journal entries. This control weakness was considered a reportable condition in the FY 2003 and FY 2004 Financial Statement Audits (page 13).

### Construction in Progress review

### Promoting and Protecting Integrity

In our ongoing efforts to promote and protect the integrity of GSA's programs and operations, we aggressively conduct investigations and pursue the prosecution of individuals and companies committing criminal and civil fraud and other offenses that impact GSA programs. A number of these investigations have led to enforcement actions during this semiannual period, including:

### Criminal Actions

- David H. Safavian, GSA's former Chief of Staff, was arrested on charges of making false statements and obstructing GSA proceedings. The affidavit filed in support of the criminal complaint alleged that while serving as GSA's Chief of Staff, Safavian aided a Washington, DC lobbyist in the lobbyist's attempts to acquire GSA-controlled property in and around Washington, DC, and made false statements to GSA officials. Mr. Safavian was subsequently indicted on charges of making false statements and obstructing GSA and U.S. Senate proceedings (page 14).
- During this reporting period, two former GSA building managers and two GSA contractors were sentenced in cases stemming from an investigation involving the illegal awarding of contracts for a Federal Courthouse in Chicago in exchange for bribes and kickbacks. One building manager was sentenced to 30 months incarceration followed by 36 months of supervised probation and ordered to pay \$45,000 in restitution; the other building manager was sentenced to 12 months probation and ordered to pay restitution. In addition, one contractor was sentenced to home confinement with electronic monitoring for eight months followed by 60 months probation, and ordered to pay \$11,180 in restitution and a \$4,000 fine. The other contractor was sentenced to three years probation and ordered to pay \$12,000 in restitution and a \$1,200 fine (page 15).

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## Executive Summary

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- Two co-owners of Woodcraft Manufacturing, Inc., a construction company, pled guilty to defrauding the United States of over \$37,000. The company was awarded a subcontract to supply and install natural cherry wood millwork in the U.S. Federal Courthouse in Montgomery, Alabama, but instead installed poplar wood millwork (page 15).
- A project manager of a GSA contractor made illegal payoffs to numerous employees that were empowered to oversee a construction contract with the New York City Transit Authority. He was sentenced to serve three years probation and ordered to pay \$300,000 in restitution and a \$10,000 fine (page 15).
- A former employee of a GSA contractor pled guilty to theft of government electronic equipment. He was sentenced to one year probation and ordered to pay \$2,500 in restitution and a \$2,500 fine (page 16).
- An employee of an automotive service center stole a GSA vehicle, which had been leased to the VA Medical Center, after it had been left for repairs. He was sentenced to five months in prison, three years supervised probation, and ordered to pay \$4,966 in restitution (page 16).
- Eight fleet charge card abuse cases resulted in the sentencing of nine individuals with restitution totaling nearly \$36,000 (page 16).
- PriceWaterhouseCoopers (PWC) agreed to pay \$41.9 million to settle a *qui tam* complaint relating to overcharges on travel-related expenses. The complaint alleged that PWC routinely failed to pass along to the government rebates it received from travel providers such as airlines, hotels, and rental car companies (page 17).
- Humanscale Corporation, a New York-based company, agreed to pay \$9 million to settle allegations that it failed to disclose current, accurate, and complete pricing information under three of its GSA MAS contracts for ergonomic office equipment and furniture. The settlement also resolved allegations that the company failed to comply with the price reduction clause under these same three MAS contracts (page 18).
- Oracle Corporation (Oracle) agreed to pay the government \$8 million to settle a *qui tam* complaint relating to overcharges on its computer software training and education contracts with GSA. The government's investigation found that the company had been billing Agency customers in advance for training courses and cashing in the payments on the unused courses. In addition, Oracle charged the government a predetermined, higher amount for its employees' travel expenses, rather than passing along the actual expenses, as required in its GSA contract (page 18).

### Civil Actions

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## Executive Summary

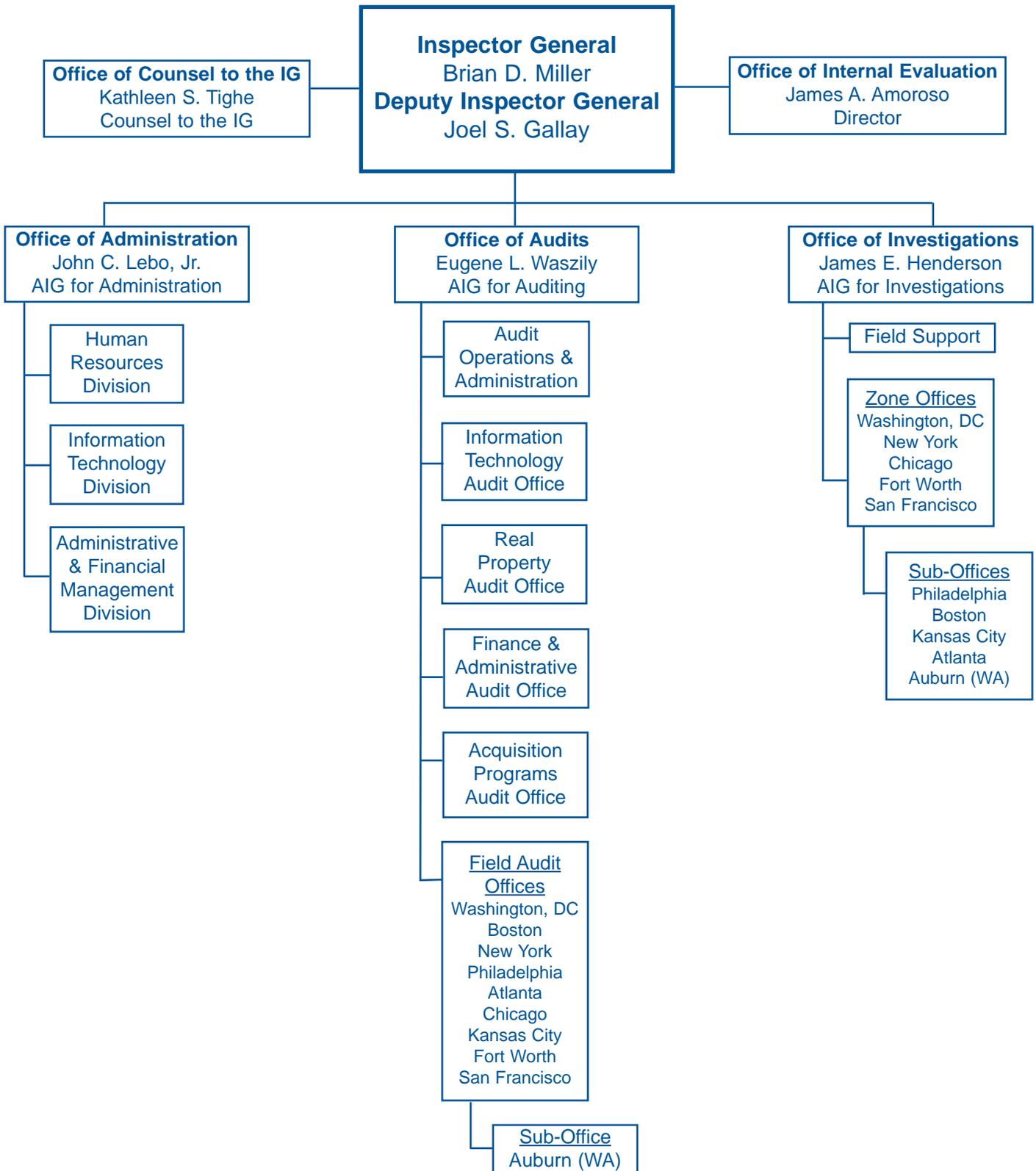
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- Three companies that provide office supplies to the government, including OfficeMax, Incorporated, Office Depot, Incorporated, and Caddo Design and Office Products, paid the government \$14.65 million collectively to settle allegations that they violated the Trade Agreements Act in performing their MAS contracts (page 19).
- Intelligent Decisions, Incorporated, a Chantilly, Virginia-based company, agreed to pay the government over \$1.6 million to settle allegations that the company underreported total sales under its MAS contract for the sale of IT hardware, software, and services resulting in the underpayment of its Industrial Funding Fee (page 19).
- Trans Union LLC agreed to pay the government \$1.32 million to settle a potential civil False Claims Act case relating to overcharges on its credit reporting services and products. The case stemmed from a voluntary disclosure by Trans Union to the OIG that it had violated the price reduction and overbillings provisions of a 1995 MAS contract for personal data reports and related services (page 19).
- Turner Construction Company reached an agreement with the government to settle a potential civil False Claims Act and kickback case relating to overcharges on its construction contracts with GSA, the Navy, VA, and a number of other agencies, under which it agreed to make payments and concessions totalling \$9,535,345 (page 20).
- Sprint Corporation agreed to pay \$337,752 to settle a *qui tam* complaint relating to overcharging the government for telecommunications services (page 20).
- The president of Levin Associates Architects was found to have violated the civil False Claims Act by overcharging GSA for the work his company had done on a new water system in a leased building. He was ordered to pay treble damages and civil penalties totalling \$31,317 (page 20).

### Summary of Results

The OIG made over \$682 million in financial recommendations to better use government funds; made 246 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 148 legislative and regulatory actions; and received 1,093 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$507 million. (See page v for a summary of this period's performance.)

# OIG Organization Chart



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## OIG Profile

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*The GSA OIG was established on October 1, 1978 as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's five components work together to perform the missions mandated by Congress.*

### Organization

The OIG provides nationwide coverage of GSA programs and activities. Our components include:

- **The Office of Audits**, an evaluative unit staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program performance reviews, assessment of management controls, and financial and compliance audits. The office also conducts external reviews in support of GSA contracting officials to ensure fair contract prices and adherence to contract terms and conditions. The office additionally provides research, benchmarking, and other services to assist Agency managers in evaluating and improving their programs.
- **The Office of Investigations**, an investigative unit that manages a nationwide program to prevent and detect illegal and/or improper activities involving GSA programs, operations, and personnel.
- **The Office of Counsel**, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative/regulatory review and Congressional liaison functions.
- **The Office of Internal Evaluation**, a quality control staff that provides coverage of OIG operations primarily through management assessments and conducts internal investigations and reviews at the direction of the Inspector General.
- **The Office of Administration**, a professional staff which provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

### Office Locations

The OIG is headquartered in Washington, DC, at GSA's Central Office Building. Field audit and investigation offices are maintained in Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, Fort Worth, San Francisco, Auburn, and Washington, DC. (A contact list of OIG offices and key officials is provided in Appendix VI.)

### Staffing and Budget

As of September 30, 2005, our on-board strength was 296 employees. The OIG's Fiscal Year (FY) 2005 budget was \$46.4 million.

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## Management Challenges

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*Each year since 1998, we have identified and shared with Congress and senior GSA management what we believe to be the major challenges facing the Agency. (The current list is summarized on the front inside cover.) This period we continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. The following sections highlight our activities in these areas. In addition, we are addressing our concerns regarding a major reorganization and restructuring of GSA's acquisition activities currently being implemented.*

### Major Agency Issues

On September 9, 2005, the Administrator signed an order to establish the Federal Acquisition Service (FAS), merging GSA's acquisition services — the Federal Supply Service (FSS) and Federal Technology Service (FTS). The goal of this reorganization is to streamline organizational structures and strengthen GSA's capability to provide excellent acquisition services to customer agencies at the best value and to make it easier for contractors to understand and participate in GSA's acquisition processes. The plan calls for FAS to operate on a cost recovery basis and to provide clear lines of accountability for business lines. Currently, there are approximately 3,000 full-time equivalent employees in FSS and 1,500 in FTS. The annual value of contract actions is between \$40 and \$50 billion with revenues now exceeding \$11 billion. The two Services have their own fee structures, information systems, policies, procedures, and management controls. Combining segments of FSS and FTS operations into a new organization will create management challenges in these areas.

**Acquisition programs — a new organization poses new challenges.**

At the same time GSA is attempting to combine its two procurement organizations, cash-strapped customer agencies are following the advice of the Office of Management and Budget (OMB) and are developing strategic sourcing procurement programs. Under this approach, agencies consolidate their common requirements into one or a few awards, with the expectation that suppliers will offer substantially lower prices. This practice is being used more frequently and presents a new dynamic that GSA must factor into its business lines.

As part of the reorganization, the Office of the Chief Financial Officer (OCFO) is planning for the merging of the Information Technology and General Supply Funds into the Acquisition Service Fund. This merger must receive Congressional approval. In merging these two revolving funds, management will be faced with the significant challenge of ensuring that the transition process does not adversely impact operations and that appropriate controls are in place over the new fund. Throughout the FTS/FSS reorganization process, GSA has relied on Steering Teams to promote a seamless merger. The OCFO Steering Team is addressing the requirements for merging the Information Technology and General Supply Funds utilizing a team of employees with expertise in the areas of financial policy, financial systems, and budgetary policy.

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## Management Challenges

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In the midst of the merger, the Agency is experiencing significant human capital challenges, with a significant loss of senior managers, several layers deep in some organizations, and the array of morale and other issues concomitant with a major reorganization. Perhaps most notably, as this report is issued, the Agency will also see the departure of Administrator Perry, who is leaving GSA as of October 31, 2005, after more than four years of distinguished leadership and service.

In our 2005 update of significant management challenges facing the Agency, we broadened the challenge on procurement activities to reflect the significance of the Agency restructuring and the impact on operations. This new challenge is titled acquisition programs.

### **Acquisition Programs**

*GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts. We conduct reviews of these activities to ensure that the taxpayers' interests are protected.*

### **FTS Contracting Practices and Agency Improvement Actions**

Since FY 2002, we have been performing reviews of contracting practices at FTS' Client Support Centers (CSCs). Initially, our review of three regional CSCs identified numerous improper task order and contract awards, including improper sole source awards, misuse of small business contracts, allowing work outside the contract scope, improper order modifications, frequent inappropriate use of time-and-materials task orders, and not enforcing contract provisions. In response to this review, FTS initiated a number of improvement actions to ensure controls are in place in each CSC.

Subsequent to our initial report, the Administrator requested that we analyze the contracting practices in the other nine regional CSCs and the effect of improvement actions. The Chairman of the Senate Finance Committee had also requested that we provide continuing oversight to ensure that deficiencies identified were addressed appropriately.

In FY 2004, CSC procurements exceeded \$5.4 billion, with Department of Defense (DoD) customers representing about 85 percent of the business. In July 2004, the GSA Administrator, in conjunction with DoD's Director of Defense Procurement and Acquisition Policy, launched the "Get it Right" initiative to ensure proper contracting practices. This initiative includes educating and training acquisition employees, aligning performance measures, publishing new contracting regulations and procedures, and validating the proper use of GSA contract vehicles and services.

In the Ronald W. Reagan National Defense Authorization Act for FY 2005, Congress mandated that the Inspectors General of GSA and DoD jointly review each CSC and determine by March 15, 2005, whether the CSC is: compliant with defense procurement requirements; not compliant; or not

**Prior audits  
revealed significant  
irregularities.**

**Congress  
mandates a joint  
review by the  
DoD OIG and  
GSA OIG.**

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## **Management Challenges**

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### **Acquisition Programs (continued)**

compliant but making significant progress toward becoming compliant. In our 2005 reviews, we determined that the European CSC was compliant and that the 11 remaining CSCs were not compliant but making significant progress. In these additional reviews, we conducted a comprehensive testing of management controls throughout the CSC program by reviewing 182 task orders valued at over \$2 billion, including a random sample of new orders and a judgmental sample of modifications to existing orders. We found that national controls were implemented in all of the CSCs and that considerable progress was being made to overcome past procurement compliance deficiencies. We issued our compendium report on June 14, 2005.

As also mandated in the Act, we are conducting follow-up testing of controls, in cooperation with the DoD Office of Inspector General, for the 11 CSCs we determined to be not compliant but making significant progress. This audit work is designed to test the effectiveness of both GSA and DoD procurement improvements, including the joint “Get it Right” initiative, and to respond to Congressional concerns regarding the CSCs’ compliance with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We plan to report on this additional audit work by March 2006.

### **Office of Global Supply’s Expanded Direct Delivery Program**

GSA’s Office of Global Supply directs the policy, programs, and worldwide operations for the Stock, Special Order, and Expanded Direct Delivery Program (EDD). In the spring of 2003, Global Supply began offering office products and tools to GSA customers through EDD. The intent of the program was to offer a greater variety of products to GSA customers from GSA stock and vendors through a single point of sale.

Global Supply has awarded two EDD blanket purchase agreements (BPAs) — Office Products, with an approximate two-year value of \$45 million, and Tools, with an approximate two-year value of \$55 million. Customers worldwide are able to order over 10,000 new products from both of these categories using EDD.

To ensure the timely processing of customer orders, the EDD BPA Statement of Work includes a performance metric for 95 percent of orders to be delivered within seven days of receipt. Based on a sample of three transaction days, we found that the vendors had order fill rates of only 82 to 88 percent. In addition, we found a number of back orders, including some as old as 200 days. Global Supply conducts periodic teleconference discussions with both vendors addressing back orders, billing, and analysis of Global Supply exception reports on customer orders, in an effort to improve vendor performance. However, because the BPAs do not include

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## Management Challenges

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**Contractors not achieving GSA's timely delivery goals; incentives needed to improve performance.**

### **Acquisition Programs (continued)**

incentives for timely order processing or penalties for failing to do so, and because a performance metric for timely filling of back orders does not exist, the vendors may not be as diligent as expected. Delayed shipping and back orders can negatively impact Federal customers' confidence in the program and use of EDD.

Global Supply is planning to expand the EDD program using BPAs with tool and supply companies who already have Multiple Award Schedule (MAS) contracts for other products; however, questions concerning competition and price analysis have been raised. Currently, GSA's General Counsel and the FSS' Acquisition Management Center are working on responses to these questions.

In our June 6, 2005 report, we recommended that Global Supply establish incentives for EDD contractors to achieve performance metrics on order fills and back orders. We also recommended that EDD incorporate changes to competition or price analysis strategies suggested by Agency counsel and FSS into EDD policies and procedures.

### **Contract Management**

*GSA increasingly accomplishes its mission by using contractors to provide client services and products. Its multibillion dollar acquisition programs have expanded rapidly in terms of size, variety, and complexity of the procurements performed. While many GSA contracts are well crafted and properly administered, we are finding an increasing number of weaknesses. Our audit work in recent years has revealed a growing list of warning signs throughout the acquisition process that suggests the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.*

### **Review of Northwest/Arctic Region Public Buildings Service Western Service Center**

The Western Service Center (WSC), located in Seattle, Washington, manages 35 government-owned buildings and space leased in 114 commercial buildings located in the state of Washington. Workload for the staff of 53 employees includes procurement, finance, customer service, leasing, and GSA property management. Our review focused on the propriety of WSC procurements and the effectiveness of contract administration.

We concluded that the WSC adhered to applicable laws, regulations, and established policies and procedures when conducting procurements. Additionally, contract administration was generally effective, assuring that quality and quantity of goods and services received were what the government ordered. We did note the need to improve the file

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## Management Challenges

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### ***Contract Management (continued)***

documentation for some procurement actions, purchase card transactions, and travel vouchers. We also found that the level of security in one GSA building could have been compromised because the janitorial service contractor did not distribute and collect employee identification badges daily in accordance with contract terms, nor return the badges to the GSA building manager when employees were terminated.

In our June 13, 2005 report to the Acting Regional Administrator, we recommended that the building manager establish a system to ensure that contractors properly control daily distribution and collection of employee identification badges and turn in badges for terminated employees. We also recommended that contracting officers include documentation of their evaluations of fair and reasonable pricing in the task order files. Finally, we recommended that purchase card statements and related invoices be filed in a secured central location and that travelers include a copy of their itineraries with their travel vouchers.

### **Contractor Assessment Initiative**

FSS is responsible for the MAS Program, which involves close to 17,000 long-term governmentwide contracts with commercial firms. The Contract Management Center within FSS has undertaken the Contractor Assessment Initiative to assess contractor performance and increase the value of the MAS program to its customers. While several Contractor Assessment Initiative components are planned, only the Administrative Report Card has been implemented at this time. The Report Card was created to assist contracting officers (COs) in making decisions about exercising contract options and awarding additional contracts.

In our review of the Report Card, we identified shortcomings that have a direct impact on its usefulness. The current format, content, and rating and weighting system for the questions affect the reliability of the contractor performance rating and do not address several key contractual issues. Also, the lack of Report Card availability and user awareness affect the value of the initiative. Report Cards for expiring contracts are not always created and available for the CO to use when making a contract extension determination. Additionally, foreign contractors are not being held to the same standards as their domestic counterparts. Only a small percentage of foreign contractors were visited and had a Report Card produced during FY 2004. We also determined that there is insufficient guidance on the proper methods to complete the Report Card and a lack of guidance for following up with the contractors regarding their Report Card deficiencies. This resulted, respectively, in varying completion methods and diminished the opportunity for contractor improvement.

***Lack of availability and user awareness limit the usefulness of the "Report Card" initiative.***

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## Management Challenges

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### **Contract Management (continued)**

Prior to and in conjunction with our review, the Contract Management Center identified some shortcomings and drafted revisions to the Report Card. In an effort to provide management with timely comments, we issued an interim audit memorandum on February 10, 2005, outlining our preliminary observations on the format and content of the current Report Card as well as the proposed revisions. Management incorporated these observations into the revised Report Card scheduled to be released early in FY 2006.

In our September 29, 2005 report, we recommended that management ensure that the Report Card includes all significant contractual areas, fairly evaluates contractors' performance, and is completed and used properly to promote improvement.

Management concurred with our recommendations.

### **Information Technology**

*GSA is in the process of replacing a number of its old information systems to improve performance and take advantage of technological advances. Since GSA has had difficulty sharing usable data between systems, many of the new IT projects are intended to go beyond automating current business functions and to create real change in the way that GSA does business. However, GSA systems development projects have typically experienced significant schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.*

### **GSA's Information Technology Security Program**

The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, document, and implement an agency-wide information security program to secure Federal information systems. GSA has developed an Information Technology (IT) Security Program, which continued to progress in 2005, but challenges remain with implementation. In the past year, the agency-wide IT security policy, procedural guides, technical guides, and security awareness and training have been updated to reflect changes with National Institute of Standards and Technology (NIST), Office of Management and Budget (OMB), and Office of Personnel Management (OPM) guidance. The GSA Chief Information Officer (GSA CIO) has also implemented a process to review system certification and accreditation documentation for consistency with Agency policy and NIST guidance and has updated its inventory of information systems covered under the IT security program to include all IT investments as required by FISMA. The GSA CIO also employs a vulnerability scanning program to verify implementation of the Agency's security configuration policy for servers across Agency systems.

**More consistent implementation of IT security provisions and increased monitoring is needed to secure GSA's data and IT assets.**

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## **Management Challenges**

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### **Information Technology (continued)**

A closer look at required security controls for the ten systems we reviewed identified areas where additional improvements are needed with GSA's IT Security Program. GSA's Certification and Accreditation process for IT systems was not consistently implemented for the systems reviewed, and Plans of Action and Milestones were not always being used to effectively mitigate known security weaknesses. In addition, system contingency plans were not always developed and tested. Some system owners were not comprehensively identifying and managing technical security weaknesses for their systems and the GSA CIO's monitoring through quarterly technical scanning did not include all potentially vulnerable system devices. Finally, background checks were not always completed for contractors before granting them access to GSA systems, a condition reported in 2003 and 2004. Shortfalls in these key areas of responsibility for system owners continue to demonstrate that more consistent implementation of the IT security program provisions and increased monitoring is needed to properly secure GSA's data and IT assets.

In our September 21, 2005 report, we recommended that the GSA CIO take action to:

- Increase oversight of IT security policy and procedure implementation related to certification and accreditation.
- Develop procedures to ensure completion and maintenance of system contingency plans and clarify responsibilities for comprehensive plan testing.
- Ensure that technical scanning is conducted for all potentially vulnerable system devices.
- Promote the use of compensating controls that minimize risks to systems or data if contractors are granted access prior to completion of required background checks.

The GSA CIO concurred with the findings and recommendations in the report.

### **Comprehensive Human Resources Integrated System**

The Comprehensive Human Resources Integrated System (CHRIS) is GSA's Web-based Human Resources (HR) system. It is based on a commercial-off-the-shelf product and customized to support a range of HR and reporting functions intended to meet the needs of GSA and its customers. CHRIS was deployed in August 2000, providing HR systems support to GSA employees and approximately 8,600 external customers. Today, CHRIS continues to provide HR systems support covering approximately

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## Management Challenges

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### ***Information Technology (continued)***

25,000 employees at GSA and several other Federal agencies, and Presidential boards and commissions.

***GSA is not recovering HR system costs.***

We found that, although the original intent for CHRIS was to provide a comprehensive, integrated HR system, GSA's strategic efforts with the system have been impeded by user reluctance to use the system and the availability of duplicative system functionality provided by other GSA systems. Since CHRIS was introduced, a post-implementation review to fully assess how well it is meeting user requirements has not been completed. Further, due to OPM efforts to consolidate HR systems across the government, GSA has faced challenges in marketing CHRIS to new customers. As a result of an insufficient customer base, CHRIS is not recovering costs or generating the level of revenue originally expected. System life cycle costs have increased from an initial estimate of \$34 million to an estimated \$54 million without a projected quantifiable recovery of investment. With ongoing decisions regarding OPM's selection of HR Line of Business systems, GSA must determine if CHRIS can meet organizational and user needs and be financially beneficial to GSA.

***System security vulnerabilities need to be corrected.***

During our review, we also identified specific technical control vulnerabilities for the CHRIS Oracle database that, if exploited, could compromise the confidentiality, integrity, and availability of the system. On July 20, 2005, we issued a restricted letter report that provided detailed information for the purpose of ensuring corrective action. In addition, several areas of system security risk that could lead to system vulnerabilities or unnecessary risk were identified through our annual review as part of our responsibilities under FISMA. Key security components for CHRIS had not been fully addressed including a final certification and accreditation of system controls and completion of required security documents. Background checks for contractors with access to CHRIS are also needed.

To improve managerial, operational, and technical controls for this important system we recommended that the GSA Chief People Officer conduct a post-implementation review in accordance with the applicable OMB and GSA guidance to evaluate benefits and costs for CHRIS and address organizational and user needs. In addition, an alternatives analysis should be performed to fully consider the costs and benefits for the options of: 1) keeping the system and expanding the customer base to offset costs, 2) offering CHRIS as a service provider, or 3) selling the system. We also recommended that adequate security controls, such as completing the system certification and accreditation process; updating required system security documentation; completing background checks for contractors; and assessing the Oracle database vulnerabilities, are in place to manage risks with CHRIS.

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## Management Challenges

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### **Information Technology (continued)**

The Chief People Officer did not agree with our recommendation to perform an alternatives analysis, stating that the decision was made to offer CHRIS, along with the Payroll Accounting Reporting (PAR) system, as one of the consolidated HR systems for use across government. A business case was submitted to OMB as part of the FY 2007 budget formulation process. The Chief People Officer agreed with our other recommendations.

### **GSA Advantage!**

GSA Advantage!<sup>™</sup> (Advantage) is an Internet catalog and ordering system accessible 24 hours a day, seven days a week, that allows over 400,000 registered Federal Government customers worldwide to access over nine million products and services from more than 14,000 GSA and Department of Veterans Affairs Schedule vendor contracts and from GSA warehouses. This system offers electronic acquisition support by replacing direct contact with multiple vendors, offline use of other FSS systems, and the need for users to maintain paper copies of GSA schedule documents and catalogs. Advantage enables electronic “Government to Government” business with customers and “Government to Business” operations with contractors who supply goods and services to the Federal Government, saving customers time and money. An enhancement to Advantage provided to some agencies is virtual stores, which enable agencies to filter catalog offerings presented to their staff for a tailored online shopping experience. Through separate Web addresses for each virtual store, agencies can post their Blanket Purchase Agreements on their agency store. Advantage is intended to save customers time and money by reducing acquisition paperwork, streamlining the online purchasing process, and providing best value with electronic access to MAS products and services. Sales through Advantage have grown from less than \$5 million in FY 1996 to nearly \$300 million through August of 2005. However, this accounts for only a fraction of the approximate \$3 billion of total product sales that could be purchased through Advantage.

In our review we found specific shortfalls with the Advantage management, funding, and planning process, including the absence of a consolidated group or designated individual responsible for the system. Management of Advantage is shared among four offices and decisions about funding and changes are made by a Council comprised of the heads of ten different offices and eight regional offices. This structure has not ensured that necessary managerial, operational, and technical controls are in place. In addition, we observed no clear process for prioritizing system requirements. New requirements for Advantage come from a variety of sources and are collected manually. There is no clear process for organizing this data, making it difficult to manage the information, hindering adequate consideration of needed system changes. We also noted that some vendors complain of delayed visibility of their products when they upload their files.

***Sales through Advantage are a fraction of what they could be.***

***Shared management structure dilutes managerial, operational, and technical controls for Advantage.***

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## Management Challenges

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### **Information Technology (continued)**

Deficient programs and processes and file capacity contributed to these problems. Finally, we noted that FSS has spent more than \$1.9 million developing five virtual stores as a marketing device for Advantage. However, customers are not using these stores as expected and FSS needs to analyze the cost and benefits to develop and maintain these customized views of Advantage.

In our September 29, 2005 report, we recommended that FSS take the necessary actions to:

- Establish a management structure with adequate authority and responsibility.
- Develop specific performance measures to guide selection and prioritization of new system requirements.
- Ensure processes are in place to minimize delays of vendor product data uploads.
- Analyze virtual stores to ensure the benefits of these investments merit the development and maintenance costs.

The Acting Commissioner generally concurred with our report recommendations.

### **Aging Federal Buildings**

*GSA is being challenged to provide quality space to Federal agencies in a competitive environment with an aging, deteriorating inventory of buildings and critical budgetary limitations. It is estimated that it would take over \$6 billion to bring the building inventory up to standard. GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings will yield the best return on investment, and how to fund the highest priority projects in a timely manner.*

#### **PBS' Major Repair and Alterations Program**

The average age of the buildings in GSA's inventory is 43 years old, and every year the Public Buildings Service (PBS) performs a wide variety of projects to repair, maintain, and modernize, ranging from repainting or recarpeting office space, to replacing heating, ventilation, and air conditioning systems, to total building renovations. To date, about a quarter of GSA's 1,200 buildings have undergone extensive modernization.

It has been a struggle for GSA to keep up with the growing repair and modernization needs of its building inventory. At the end of FY 2004, GSA estimated that the cost of needed repair and alteration work had grown to

**Six billion dollars  
needed to repair  
and modernize  
GSA's aging  
buildings.**

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## Management Challenges

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### ***Aging Federal Buildings (continued)***

over \$6 billion, 50 percent higher than five years earlier. One major factor contributing to this growth is that available funding for these projects is limited. The projects are funded yearly through the Federal Buildings Fund (FBF), a revolving fund financed by rents received from other agencies. However, the fund has not generated sufficient income over the years to keep up with all of the needs of GSA's buildings. In the past, the U.S. Government Accountability Office (GAO) has reported on GSA's difficulty in overcoming long-standing obstacles in its repair and alteration program, such as inadequate program data, lack of a multi-year repair and alteration plan, and limited funding. In addition, we previously reported that the Agency has diverted repair and alteration funds to pay for overruns on new construction projects.

The OIG performed an audit to determine if GSA has an effective strategy to repair and modernize federally-owned buildings. We assessed whether the Agency identifies total repair and alteration requirements and costs, evaluates the economic and operational implications of the requirements in each building, and sets forth a strategy to repair and modernize these buildings.

We found that PBS is making progress in developing a comprehensive plan to address its long-term capital reinvestment requirements, but that more needs to be done. PBS has developed a methodology using multiple information systems to identify building deficiencies and then to inventory and schedule the repair and alteration projects for its buildings. The information developed through this methodology forms the basis of a nationwide forecast for addressing building reinvestment needs. However, the methodology is not being implemented on a consistent basis, which may be an obstacle to PBS effectively managing its reinvestment requirements. In addition, PBS has not fully developed its strategy to repair or modernize its buildings, nor does it establish the relative benefits and priorities of all competing projects.

To remedy the situation, PBS needs to take additional steps toward ensuring the effective planning for its building repair and modernization requirements. These steps include ensuring the data for its building reinvestment requirements is obtained and maintained, developing and implementing a new strategy to repair and modernize its buildings, and strengthening the prioritization methodology for the nationwide reinvestment forecast.

### ***Management Controls***

*Multiple management controls and extensive supervisory reviews have been replaced, through streamlining efforts, by fewer and broader controls, making it essential that the remaining control processes be emphasized and consistently followed. Streamlined processes have helped GSA achieve its*

***Methodology for forecasting building reinvestment needs is not consistently followed.***

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## **Management Challenges**

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### **Management Controls (continued)**

*goal of serving customers more quickly and efficiently; however, the Agency is exposed to the risk of mismanagement and abuse if program officials do not ensure the faithful application of existing safeguards.*

### **Audit of Pegasys Account Balance and Transaction Analysis: Construction in Progress**

During our review of the controls over the financial reporting of the Construction in Progress (CIP) account balance, we discovered a material classification error in GSA's FY 2003 audited financial statements. We issued an Alert Report to management in September 2004 so that corrective action could be taken. Subsequently, the Independent Public Accountant considered this issue a reportable condition in the Financial Statements Audit for FY 2003 and FY 2004.

This period, we issued separate reports to the Office of the Chief Financial Officer (OCFO) and PBS on the controls over the statistical sample adjusting journal entry as recorded in the FBF. Our audit objective was to determine whether the controls were in place to ensure that management's assertions related to CIP were properly reflected in the quarterly financial statements as of March 31, 2004.

In our audit of PBS, we found that the controls over the data used in the preparation of the statistical sample as part of the quarterly reporting process for CIP need improvement. Specifically, we found that PBS did not ensure that the population used in the CIP statistical sample was complete, the sampling methodology was sufficient, and the data used in the sample was properly treated. We also found that PBS needs to improve the documentation of the internal controls over CIP reporting. The Commissioner of PBS agreed with our recommendations.

Our audit of the OCFO found that action is needed to strengthen the internal controls over the review and approval of adjusting journal entries to ensure that the CIP adjusting journal entries submitted by PBS are based on sufficient, relevant, and reliable data. The OCFO concurred with our recommendations.

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## Promoting and Protecting Integrity

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*GSA is responsible for providing working space for almost one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a governmentwide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations, and that the taxpayers' interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions.*

### **Significant Criminal Actions**

#### **Former GSA Chief of Staff/OFPP Head Charged with Making False Statements, Obstructing Federal Investigation**

David H. Safavian, GSA's former Chief of Staff, was arrested on September 19, 2005, on charges of making false statements and obstructing an investigation. The affidavit filed in support of the criminal complaint alleged that from May 16, 2002 until January 10, 2004, while serving as GSA's Chief of Staff, Safavian aided a Washington, DC lobbyist in the lobbyist's attempts to acquire GSA-controlled property in and around Washington, DC. In August 2002, this lobbyist allegedly took Safavian and others on a golf trip to Scotland.

The false statement and obstruction of the investigation charges relate to Safavian's statements to a GSA ethics officer and the GSA OIG that the lobbyist had no business with GSA prior to the August 2002 golf trip. According to the affidavit, Safavian concealed the fact that the lobbyist had business before GSA prior to the August 2002 golf trip, and that Safavian was aiding the lobbyist in his attempts to do business with GSA. (On October 5, 2005, a superceding five-count indictment was returned charging Safavian with making false statements and obstructing both a GSA and a U.S. Senate proceeding.)

From November 2004 until September 2005, Safavian had served as the administrator of the Office of Federal Procurement Policy at the Office of Management and Budget.

This matter is being jointly investigated by the OIG, the Federal Bureau of Investigation (FBI), the Department of the Interior OIG, and the Internal Revenue Service.

**Former GSA Chief of Staff charged with making false statements and obstruction of an investigation.**

**Corruption found in  
Federal Courthouse  
construction  
project.**

### Corruption Found in Federal Courthouse Construction Project

A multi-year investigation was conducted jointly by the OIG and the FBI based on information that PBS employees were illegally awarding contracts for various building services and supplies involving a Federal Courthouse in Chicago in exchange for bribes and kickbacks. The investigation uncovered a corrupt environment involving the payment of gifts, money, and illegal drugs in return for the award of GSA contracts and resulted in the prosecution of 16 individuals including five GSA employees, nine contractors, and two employees of another Federal agency.

During this reporting period, two former GSA building managers and two GSA contractors were sentenced in cases stemming from the investigation. Both building managers pled guilty to bribery. One building manager, who had been employed by GSA for over 30 years and has since retired, admitted to having thousands of dollars worth of home improvements done to her house by GSA contractors. She was sentenced to 30 months incarceration followed by 36 months of supervised probation and ordered to pay \$45,000 in restitution. The other building manager, who resigned from her position, pled guilty to converting government property for her own personal use and was sentenced to 12 months probation and ordered to pay restitution. In her plea, she admitted to accepting a snow blower from a GSA contractor knowing that it was billed to and paid for by the government.

Also during this period, two GSA contractors were sentenced. One contractor pled guilty to bribery and was sentenced to home confinement with electronic monitoring for eight months followed by 60 months probation, and ordered to pay \$11,180 in restitution and a \$4,000 fine. The other contractor pled guilty to making false statements and was sentenced to three years probation and ordered to pay \$12,000 in restitution and a \$1,200 fine.

### Two GSA Contractors Convicted of Fraud Against the United States

On June 29, 2005, two co-owners of Woodcraft Manufacturing, Inc., a construction company, each pled guilty to major fraud against the United States. The company was awarded a subcontract to supply and install natural cherry wood millwork in the U.S. Federal Courthouse in Montgomery, Alabama. The individuals devised a plan to defraud the United States by installing poplar wood millwork instead of the required natural cherry wood. In the plea agreement, both admitted that, through this scheme, they defrauded the United States of over \$37,000. One co-owner was sentenced to three years probation, six months home confinement, and fined \$2,500. The other co-owner was sentenced to three years probation, three months home confinement, and fined \$1,500. In addition, both individuals agreed not to apply for any future U.S. Government contracts.

**GSA contractor  
pleads guilty to  
product  
substitution.**

### GSA Contractor Sentenced for Making False Statements

A joint investigation with the FBI into corruption in GSA construction contracts disclosed that a project manager of Trataros Construction, a New

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## Promoting and Protecting Integrity

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York-based company, made illegal payoffs to numerous employees that were empowered to oversee a construction contract with the New York City Transit Authority. The individual was charged with theft concerning programs receiving Federal funds. He pled guilty in U.S. District Court and was sentenced to serve three years probation and ordered to pay \$300,000 in restitution and a \$10,000 fine.

### Theft of Government Property

A former employee of Signal Corporation, a New Jersey-based company, pled guilty to theft of government property. He was sentenced to one year probation and ordered to pay \$2,500 in restitution and a \$2,500 fine. The investigation found that the former employee received \$2,500 worth of electronic equipment, which was purchased using a government charge card and paid for under a GSA task order.

### Theft of Government Vehicle

A joint investigation by the OIG and the Department of Veterans Affairs (VA) OIG revealed that an employee of an automotive service center stole a GSA vehicle, which had been leased to the VA Medical Center, after it had been left for repairs. The employee possessed the vehicle for over nine months before it was located and recovered. He pled guilty to theft of government property and was sentenced to five months in prison, three years supervised probation, and ordered to pay \$4,966 in restitution.

### Fleet Charge Card Abuse

The OIG has an ongoing proactive investigative project to identify and investigate fraud associated with the misuse of GSA-issued fleet charge cards. During this period, nine individuals were sentenced in connection with cases arising out of the investigations.

- A joint investigation by the OIG and the Defense Criminal Investigative Service revealed that an individual was using a stolen fleet card that had been assigned to a vehicle leased to the Army to purchase gas for his personal vehicle, as well as CB radios, windshield wiper blades, food, and beer. He pled guilty to theft of government property and was sentenced to two years probation, ordered to pay \$13,130 in restitution, and fined.
- An OIG investigation revealed that an individual used a stolen fleet card assigned to a vehicle utilized by the Illinois State National Guard to purchase gasoline for his personal use. He pled guilty to theft of government property and was sentenced to three years probation and ordered to pay restitution in the amount of \$6,691.
- A joint investigation by the OIG and the Army Criminal Investigative Command determined that a facility manager with the Army Corps of Engineers fraudulently used two fleet cards assigned to this facility to purchase gasoline for his personal vehicles. He pled guilty to

**Investigations into abuse of GSA fleet cards led to multiple charges.**

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## Promoting and Protecting Integrity

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embezzlement of government funds and was sentenced to three years probation, six months home detention, and ordered to pay \$4,197 in restitution and a \$2,000 fine.

- An OIG investigation revealed that a former security officer with Inter-Con UPSP Services Corporation used a fleet card reported missing by the corporation to purchase gas for his own personal vehicle. He pled guilty to theft of government property and was sentenced to two years supervised probation and ordered to pay \$5,400 in restitution.
- A joint investigation by the OIG and the FBI revealed that a former employee of an Oregon Fire Department and his girlfriend used a stolen fleet card to purchase gas for their personal vehicles. He pled guilty to theft of government property; she pled guilty to theft of public property. They were each sentenced to 36 months probation and ordered to pay \$1,842 in restitution.
- A joint investigation by the OIG and a local Pennsylvania police department showed that an airman apprentice assigned to a U.S. Naval Air Station (NAS) used a stolen fleet card assigned to the NAS to purchase gasoline for his personal use. He pled guilty to theft of government property and was sentenced to 24 months probation and ordered to pay \$1,403 in restitution.
- A joint investigation by the OIG and a local Maryland police department determined that an individual used a stolen fleet card to purchase gasoline for other vehicles for cash. In a pretrial agreement, he pled guilty to theft of government property and was sentenced to 24 months probation and ordered to pay restitution.
- A joint investigation by the OIG and the U.S. Department of Treasury OIG showed that a contractor used three fleet cards assigned to Treasury to purchase cigarettes, food, and other miscellaneous items for his personal use. He pled guilty to theft of government property and was placed in a pretrial diversion program, sentenced to 40 hours community service, and ordered to pay restitution.

**Accounting firm  
pays \$41.9 million  
to resolve  
government  
allegations of  
fraudulent  
overcharges.**

### **Significant Civil Actions**

#### **PriceWaterhouseCoopers Pays \$41.9 Million to Settle Allegations It Overcharged Federal Agencies for Travel Expenses**

On June 1, 2005, PriceWaterhouseCoopers (PWC) agreed to pay \$41.9 million to settle a *qui tam* complaint relating to overcharges on travel-related expenses. The complaint alleged that PWC routinely failed to pass along to the government rebates it received from travel providers such as airlines, hotels, and rental car companies. Therefore, because the company's contracts with government agencies (including the relevant two

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## Promoting and Protecting Integrity

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contracts with GSA) generally required that only actual travel expenses could be reimbursed, the complaint alleged that PWC repeatedly submitted false claims to the government.

The government's audit and investigation substantively confirmed the relator's major allegations. Specifically, the company had rebate agreements with travel providers and travel service providers from the early 1990s onward. These agreements often provided for back-end rebates, as opposed to up-front discounts. While up-front rebates would automatically be passed on to the company's clients, back-end rebates were undisclosed and therefore not passed through. In addition to the rebate agreements with airlines and rental car companies, PWC had agreements in place with its travel services provider, which provided both travel agent and charge card services. In these agreements, the travel services company agreed to rebate to PWC all commissions earned from the provision of travel agent services to PWC, as well as to rebate one percent of the total amount charged by PWC personnel on their corporate charge cards. PWC failed to refund or credit the rebates to its customers.

### **Humanscale Corporation Pays \$9 Million to Settle Government Pricing Claims Under MAS Contracts**

On June 30, 2005, the government resolved a *qui tam* lawsuit brought against Humanscale Corporation, a New York-based company, for violations of the civil False Claims Act. The settlement resolved allegations that Humanscale failed to disclose current, accurate, and complete pricing information under three of its GSA Multiple Award Schedule (MAS) contracts for ergonomic office equipment and furniture. The settlement also resolved allegations that the company failed to comply with the price reduction clause under these same three MAS contracts. The government alleged that this conduct resulted in overcharges to Federal agencies buying under the MAS contracts. Humanscale agreed to pay \$9 million to settle these allegations. The lawsuit was filed in Federal district court in the District of Columbia.

### **Oracle Pays \$8.0 Million for Overcharges Related to Its Training Services**

On May 4, 2005, Oracle Corporation (Oracle) agreed to pay the government \$8 million to settle a *qui tam* complaint relating to overcharges on its computer software training and education contracts with GSA. In his *qui tam* complaint, the relator, a former Oracle employee, alleged that Oracle engaged in the following improper conduct in relation to its GSA contracts: billing and collecting from the government for computer software training services in advance of providing the services, forfeiting to Oracle millions of dollars paid by the government for training services if those services were not used within a certain period of time, failing to comply with the Federal Travel Regulations in billing the government for travel and expenses associated with certain training programs, and failing to disclose accurate price/discount information for training services to its commercial customers.

**Office equipment company settles charges of fraudulent defective pricing for \$9 million.**

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## Promoting and Protecting Integrity

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The OIG's investigation substantially confirmed the relator's major allegations. Specifically, the company had been billing Agency customers in advance for training courses and cashing in the payments on the unused courses. The company had also been charging the government a predetermined, higher amount for its employees' travel expenses, rather than passing along the actual expenses, as required in its GSA contract. Oracle had also failed to disclose several more favorable pricing/discounts to its commercial customers, as required by the contract.

### **Office Supply Companies Pay Over \$14.65 Million to Settle Allegations of Trade Agreements Act Violations**

**Three office supply companies pay a collective \$14.65 million to resolve Trade Agreements Act violations.**

Three companies that provide office supplies to the government, including OfficeMax, Incorporated (formerly known as Boise Cascade Office Products), Office Depot, Incorporated, and Caddo Design and Office Products, have paid the government \$14.65 million collectively to settle allegations that they violated the Trade Agreements Act in performing their MAS contracts. The allegations, which were brought under the *qui tam* provisions of the civil False Claims Act, provided that each of the companies sold numerous office products to the government under their MAS contracts that were sourced from impermissible countries of origin. Under the *qui tam* provisions of the civil False Claims Act, a portion of these settlement funds were paid to three relators — a competitor office supply company, and two individuals who served as executives at the company — for bringing the allegations to the government's attention. The lawsuit was filed in Federal district court for the District of Columbia.

### **Intelligent Decisions Pays \$1.61 Million to Settle Allegations It Underpaid Industrial Funding Fee Under Its MAS Contract**

On July 8, 2005, Intelligent Decisions, Incorporated, (ID) a Chantilly, Virginia-based company, agreed to pay the government over \$1.6 million to settle allegations under the civil False Claims Act that the company underreported total sales under its MAS contract for the sale of IT hardware, software, and services. The government alleged that ID underpaid its related industrial funding fee — an administrative fee that GSA assesses on a quarterly basis directly as a percentage of total MAS sales.

### **Trans Union Pays \$1.32 Million for Failure to Disclose Discounts to GSA and for Overcharges on Its MAS Contract**

On April 7, 2005, Trans Union LLC (Trans Union) agreed to pay the government \$1.32 million to settle a potential civil False Claims Act case relating to overcharges on its credit reporting services and products. The case stemmed from a voluntary disclosure by Trans Union to the Office of Inspector General in July 2000. In the voluntary disclosure, Trans Union notified the OIG that it had violated the price reduction and overbillings provisions of a 1995 MAS contract for personal data reports and related services. Through a postaward audit, the OIG determined that Trans Union had failed to disclose to GSA, not only price reductions, but also certain

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## Promoting and Protecting Integrity

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**Construction company forfeits \$2.9 million in other agency claims and pays \$6.6 million to GSA and other agencies to resolve allegations of kickbacks and overcharges.**

price discounts that Trans Union should have disclosed during negotiations. In addition, the audit found that Trans Union failed to grant the government the volume discounts to which it was contractually entitled.

### **Turner Construction Company Agrees to Forfeit Claims and Pay Agencies to Resolve Allegations of Kickbacks, Overcharges**

On June 23, 2005, Turner Construction Company (Turner) reached an agreement with the government to settle a potential civil False Claims Act and kickback case relating to overcharges on its construction contracts with GSA, the Navy, the VA, and a number of other agencies. Turner agreed to pay \$31,005, double the amount of commissions Turner received back from AON Corporation, the bonding company, on its GSA contract, and also agreed to pay GSA \$6.3 million to withdraw its affirmative defense, based upon the commission-splitting arrangement with AON in an ongoing GSA Board of Contract Appeals case. Turner also agreed to pay the Department of Justice (DOJ) an additional \$304,340 in double damages relating to kickbacks on contracts with the other agencies, and also agreed to forfeit a \$2.4 million claim it had filed against the Navy in the Court of Federal Claims, as well as a \$500,000 claim against the VA.

### **Sprint Corporation Pays \$337,752 to Settle Allegations It Overcharged Federal Agencies for Telecommunications Services**

On August 17, 2005, Sprint Corporation (Sprint) agreed to pay \$337,752 to settle a *qui tam* complaint relating to overcharges for telecommunications services. The complaint alleged that Sprint, for the time period of December 1998 to June 2001, overcharged the government with regard to Pre-Subscribed Interexchange Carrier Charges ("PICCs"). Under the contract, Sprint was allowed to only pass through to the government "actual charges" associated with the PICCs. In fact, Sprint, according to the relator, passed through to the government costs and fees for PICCs in excess of what was allowed under the contract. The recovery represents approximately double the amount of the overcharges. The matter was filed in U.S. District Court for the Central District of California.

### **Judgment in a Civil False Claims Act Trial**

In a trial held in Federal District Court for the Northern District of Illinois, the president of Levin Associates Architects was found to have violated the civil False Claims Act by overcharging GSA for the work his company had done on a new water system in a leased building. The court ordered the defendant to pay treble damages (the maximum allowed under the law) and civil penalties totalling \$31,317.

### **Integrity Awareness**

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees' roles in helping to ensure the integrity of Agency operations.

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## Promoting and Protecting Integrity

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This period, we presented 27 briefings attended by 397 regional employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

### **Hotline**

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the Hotline. We also use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,093 Hotline contacts. Of these contacts, 186 Hotline cases were initiated. In 78 of these cases, referrals were made to GSA program officials for review and action as appropriate, 26 cases were referred to other Federal agencies for follow up, 29 were referred for OIG criminal/civil investigations or audits, and 53 did not warrant further review.

### **Significant Preaward Reviews and Other Audits**

The OIG's preaward review program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to contracting officers, enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward reviews of 46 contracts with an estimated value of \$6.4 billion, a 46 percent increase over the dollar amounts from any other recent six-month period. The \$682 million in recommended cost avoidances was 73 percent higher.

Four of the more significant MAS contracts we reviewed had projected governmentwide sales totaling \$3.8 billion. The review findings recommended that over \$485 million in funds be put to better use. The reviews disclosed that these vendors offered prices and labor rates to GSA that were not as favorable as the prices and rates other customers receive from these vendors.

The Office of Management and Budget (OMB) has long recognized the increasing dollar value of GSA's contract activities and our limited resources in providing commensurate audit coverage. Through the Federal Supply Service (FSS) and Federal Technology Service (FTS) contract program revenues, OMB officials have provided us additional financial support to increase our work in this area. These funds enabled us to hire additional staff to support expanded contract review activities including, primarily, an

**Preaward reviews—  
significant gains  
over prior periods.**

**Estimated value  
of contracts  
reviewed —  
\$6.4 billion, up  
46 percent;  
recommended cost  
avoidances —  
\$682 million, up  
73 percent.**

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## *Promoting and Protecting Integrity*

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increase in preaward contract reviews, as well as more contract performance reviews that test contractors' compliance with pricing, billing, and terms of their contracts, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities. With these added resources, we are planning to substantially increase the number of preaward reviews in FY 2006.

During this six-month period, management decisions were made on 44 of the preaward reports issued during FY 2005. Those reports recommended that over \$451 million of funds be put to better use. Management agreed with more than 90 percent of these recommended savings — an amount in excess of \$410 million.

### **FTS Regional Information Technology Solutions and Telecommunications Fees**

The revolving fund authority under which FTS operates requires that it fully recovers all costs (salaries, benefits, operational costs) in its estimated fees. FTS fees currently include surcharges, hourly labor rates, flat fees, or some combination thereof. FTS develops fees annually that are consistent with the IT Fund Cost and Capital Requirements Plan submitted to OMB yearly.

In our audit of FTS Regional fees, we found that IT Solutions fees vary between regions, including some regions utilizing as many as ten different surcharges and others as few as two. No apparent correlation exists between the number of regional surcharges and regional revenue, number of active tasks, direct operating expense, or net operating results. The multiple surcharge fee structure results in confusion and a perception of inconsistency among customers and contractors alike. It puts the contracting officers in a position to negotiate rates, which may result in rates that are not sufficient to cover costs, provide insufficient IT funds to meet the mission needs, and are potentially inequitable among customers. Additionally, negotiation and rate differences encourage shopping regions for best price, which may further interregional "poaching" of customers and similar activities detrimental to overall FTS operations. An effective costing methodology would aid in the development of a simplified rate structure that facilitates planning, covers costs, and ensures sufficient IT funds are available to meet mission needs without burdening customer agencies with additional unwarranted fees.

Regional IT management has recognized this issue and has made positive strides to address it. OMB has also recognized this issue and directed Regional IT Solutions to initiate steps to address it in their 2006 performance measures. Additionally, GSA is including a review of fees in the ongoing FTS/FSS consolidation activities.

We also found that Regional Telecom currently uses a cost-based fee structure. Expenses that can be directly traced to a revenue center are

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## ***Promoting and Protecting Integrity***

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allocated to that center; expenses that cannot be directly traced are put into a regional indirect cost pool along with allocated FTS and GSA corporate overhead. Excess revenues initially reduce the indirect cost pool from the region's Expanded Services (ES) program and programs related to special customers. What remains in the indirect cost pool is then cleared by a regional surcharge designed expressly to adjust the indirect cost pool and/or create positive Net Operating Reserves as directed by the GSA Chief Financial Officer.

While the geographically segmented nature of Regional Telecom's dial-tone business lessens confusion associated with varying rates, there are factors that can contribute to inequities. One example is the reduction of dial-tone surcharges from excess ES surcharge revenue generated from customers outside the serving region. This effect is increased when ES revenue is underestimated during planning because planned revenue is one factor in determining the equitable distribution of GSA and FTS overhead to the regions.

In our September 29, 2005 report, we recommended that FTS: 1) develop an effective project costing methodology to use as a basis for a simplified fee structure for Regional IT Solutions, and 2) evaluate whether Regional Telecom ES revenue projection methodologies adequately address the nature of ES business to minimize variances and assess whether simplified fee structures may be appropriate.

The Acting FTS Commissioner generally concurred with our recommendations and stated that they will revisit the recommendations and reevaluate the actions required for implementation once the FTS/FSS merger is completed.

### ***Financial Statement Audit and Related Reports***

The annual audit of GSA's consolidated financial statements is currently being performed by an independent public accounting (IPA) firm with oversight and guidance from the OIG, as required by the Chief Financial Officer's Act of 1990. In support of this effort, the OIG performed assessments of GSA's payroll function, as well as agreed-upon procedures reviews of GSA's fund balance with the U.S. Treasury Department and the Western Distribution Center inventory.

#### ***Review of GSA's Payroll Function***

The OIG reviewed GSA's internal controls over the payroll function, which is performed at the National Payroll Center (NPC) located in the Heartland Finance Center. The NPC uses the automated Payroll Accounting and Reporting System to process payroll for approximately 25,000 employees at GSA and a number of independent agencies and Presidential commissions. Our review found that the internal controls over the payroll function appeared to be operating effectively and efficiently to meet control objectives.

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## *Promoting and Protecting Integrity*

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We also performed an agreed-upon procedures review of GSA's payroll function to assist the Office of Personnel Management (OPM) in assessing the reasonableness of retirement, health, and life insurance withholdings and contributions, as well as employee headcount data submitted by the NPC to OPM during FY 2005. We did not find any material differences or exceptions that were unsupported, unsubstantiated, or that represented an error.

### **Agreed-Upon Procedures Reviews**

The OIG performed agreed-upon procedures reviews to assist the IPA in the completion of their FY 2005 Audit of GSA's Financial Statements. For our review of GSA's fund balance with Treasury, we reconciled appropriated funding in the general ledger to the authorized GSA appropriations for FY 2005; we provided information on the adequacy of controls over the collection, disbursement, and adjustment amounts reported to Treasury; and we tested monthly Statement of Differences reports to determine if the Agency is properly reconciling its fund balance with Treasury accounts.

We also performed certain procedures to assist the IPA in the review of the Western Distribution Center inventory by observing the receiving process to determine if identified controls are being performed; verifying select shipping transactions; determining if inventory was properly maintained to ensure accurate inventory accounts; and verifying the accuracy of the physical inventory reconciliation for a selected inventory count.

We provided the relevant information on the procedures we performed to the IPA on September 14, 2005 and September 28, 2005 respectively.

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## Governmentwide Policy Activities

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*We regularly provide advice and assistance on governmentwide policy matters to the Agency, as well as to other Federal agencies and to committees of Congress. In addition, as required by the Inspector General Act of 1978, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of the Agency's programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of the Agency in shaping governmentwide policies and programs, most of the legislation and regulations reviewed invariably impact governmentwide issues in areas such as procurement, property management, travel, and government management and information technology systems.*

### **Interagency Committees and Working Groups**

This period, we provided advice and assistance to the Office of Management and Budget (OMB) on various procurement policy issues, particularly in the area of time-and-materials and labor-hours contracts.

In addition, we participated on a number of interagency committees and working groups that deal with cross-cutting and governmentwide issues:

- The Assistant Inspector General (AIG) for Auditing represents all civilian government agencies on the Cost Accounting Standards Board, an independent board within OMB's Office of Federal Procurement Policy, which promulgates, amends, and revises Cost Accounting Standards designed to achieve uniformity and consistency in cost accounting practices by individual government contractors.
- The AIG for Investigations serves as the Chair of the Assistant Inspectors General for Investigations Subcommittee. This subcommittee reports to the President's Council on Integrity and Efficiency (PCIE) Investigative Committee. The subcommittee deals with investigative issues that affect all OIG Offices of Investigations, such as statutory law enforcement, peer review, and coordinated assistance to the Department of Justice.
- OIG audit representatives participate in the Federal Audit Executive Council's IT Security Committee to develop approaches and techniques for conducting IT security audits under the Federal Information Security Management Act (FISMA). Audit representatives also participate in the PCIE IT Roundtable to discuss various methodologies and best practices for conducting IT audits.
- Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the PricewaterhouseCoopers TeamMate Users Group to discuss concerns and new challenges facing TeamMate users. TeamMate is an automated audit workpaper management system designed to make the audit process more efficient.
- The Special Assistant to the AIG for Auditing represents GSA on the White House Commission on the National Moment of Remembrance. The

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## Governmentwide Policy Activities

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Commission was established to enhance the legacy of Memorial Day as a day to honor those who have sacrificed their lives for the principles of freedom and liberty. Major initiatives included listing Commission activities on Federal, state, and local government Web sites, and seeking the participation of Federal employees, retirees, and benefit recipients.

### Legislation and Regulations

During this reporting period, the OIG reviewed 125 legislative matters and 23 proposed regulations and directives. The OIG specifically commented on the following legislative and other items:

- *OMB Testimony on Status of Federal Information Security Management Act.* We provided comments to OMB on its proposed testimony regarding the status and implementation of FISMA. The testimony related to OMB's oversight of agencies' efforts to improve IT security under the law. In the context of OMB's discussion of FISMA's required IG evaluations of Agency IT systems, we noted that OIG audits operations are constrained by the Government Accountability Office's Generally Accepted Government Audit Standards (commonly known as the Yellowbook) from providing certain types of non-audit services that might compromise the organization's independence. Although we agreed that the FISMA-mandated IG work should be closely aligned with the Agency IT security programs, we cautioned against an IG advisory role and noted that audits — with their required measure of independence — would provide the same work efforts and satisfy FISMA's requirements. OMB's testimony also touched on the issue of the use of different criteria by IGs in performing FISMA reviews; in this connection, we noted that the Federal Information Systems Control Audit Manual (FISCAM) is widely used by IT auditors and that IGs are currently discussing ways to standardize these IT analyses.
- *Policy on Subcontractor Reimbursement under Multiple Award Schedule Time & Materials Orders.* We provided comments to the Federal Supply Service (FSS) and the Office of the Chief Acquisition Officer regarding payment to Multiple Award Schedule (MAS) vendors under time-and-materials (T&M) orders for work that is performed by subcontractors. We noted our concerns about the significant amount of subcontracting that occurs, and our strong view that MAS vendors should be paid only the actual amounts paid to subcontractors. In many instances, MAS vendors charge the government their own — higher — labor rates for work performed by subcontractors. We noted that the difference between the subcontractor rates and the MAS vendors' rates can be excessive, and we noted that we do not see any justification for unduly enriching prime contractors by allowing them to charge prime rates for subcontractor effort. We also noted our underlying concern that hourly rate pricing for MAS services is vulnerable to overpricing to begin with because of the difficulty in determining commercial market acceptance of hourly rates; our experience — gleaned through audits — has been that commercial

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## Governmentwide Policy Activities

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customers typically buy on a firm-fixed price basis. We believe that allowing reimbursement for subcontractor work at the prime MAS vendor's rate will exacerbate overpricing concerns as to MAS services orders.

- *Policy on Other Direct Costs Under Multiple Award Schedule Task Orders.* We provided multiple sets of comments to both FSS and the Office of the Chief Acquisition Officer on policy issuances regarding the award and negotiation of Other Direct Costs (ODCs) under MAS service contracts. Generally, our office has had concerns that MAS vendors not charge ordering agencies ODCs both directly and as a component of their fully loaded MAS hourly rates. We also noted our concern that vendors treat the government, in terms of charging ODCs, similarly with how they treat commercial customers. Also, we noted specifically that GSA might consider delaying its revision of this area until Federal Acquisition Regulation (FAR) Case 2003-027 "Additional Commercial Contract Types" is issued. This FAR case would govern the treatment of ODCs under MAS T&M task orders. In this connection, we recommended, for example, that GSA's use of the term "contract support item" — a new term coined by GSA — might be confusing to contracting officers (COs) and that it should be eliminated and made consistent with whatever term is used by the governmentwide FAR rule noted. We also noted our concerns that the documents did not provide much practical guidance on how COs are to price or reimburse unanticipated ODCs and suggested that COs be directed to the existing clause "Payments Under Time and Materials" at FAR 52.232-7.
- *Guidance Q's and A's Document Regarding "Get It Right."* We provided GSA with brief comments on a question and answer document directed to FTS COs who handled Client Support Center (CSC) procurements deemed to be possibly problematic. The coverage on which we commented had to do with remediating improperly awarded orders and exercising options on all orders. We noted our agreement with the policy's emphasis on remediation as opposed to perpetuating a problematic order, but urged GSA to provide more coverage both on the factors a CO would consider in making such a determination and on modification efforts (including exceeding the Not to Exceed ceiling amount) that would not be appropriate. With respect to exercising options on orders, we noted that the coverage should be modified to emphasize more strongly compliance with option exercise factors noted in the FAR.

### Testimony

From time to time, the Office of Inspector General is called to testify before Congressional committees on a variety of topics concerning GSA operations and government contracting issues in general. During this reporting period, OIG officials testified as follows:

- *Deputy Inspector General Testifies Before House Committee on Homeland Security, Subcommittee on Management, Integration and Oversight, Regarding GSA Procurement for Border Patrol's Remote Video*

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## Governmentwide Policy Activities

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*Surveillance (RVS) program.* On June 16, 2005, Deputy IG Joel Gallay testified regarding the OIG's review of procurements conducted by an FTS CSC for the Border Patrol's Remote Video Surveillance program. Our office found that based on an initial award of a \$1 million task order to an MAS vendor, a blanket purchase order with a ceiling value of over \$250 million was then awarded to the vendor team without competition. The procurement involved numerous task orders for installation of surveillance cameras, construction of towers for microwave transmission equipment, and installation of monitoring equipment along the United States borders with Canada and Mexico. Our office reviewed this procurement as part of a larger review of FTS CSC contracting practices, and found a number of contracting deficiencies, including lack of competition, use of an inappropriate contract vehicle, inadequate contract administration and project management, provision of less expensive equipment by the contractor, and ineffective management controls. Mr. Gallay noted that, despite the critical nature of these security improvements and nearly \$20 million paid to the contractor for eight installations we reviewed, as of the end of our field work in summer 2004, none of the eight sites had fully operational RVS systems. He also highlighted lessons learned from the procurement, including the need to adhere to proper procurement rules and practices, ensure adequate acquisition planning, select an appropriate contracting approach and obtain competition, ensure good communication between GSA and client agencies, and provide attentive contract administration and effective oversight.

- *Assistant Inspector General for Auditing Testifies Before House Government Reform Committee, Regarding GSA Reorganization.* On March 16, 2005, Eugene Waszily, Assistant Inspector General for Auditing, testified regarding a proposed reorganization of GSA. He noted that both FTS and FSS have experienced explosive revenue growth in recent years, and noted that this is due in part to GSA providing customers with choice in terms of levels of acquisition support provided. Mr. Waszily presented our office's views that a combined organization would be workable and went on to outline a number of factors to consider in assessing any GSA reorganization. He noted that a Federal agency user survey would be useful in assessing any proposed reorganization. He also noted that any reorganization should work towards a reduction in overlap and duplication, particularly of Governmentwide Acquisition Contract vehicles. He also encouraged the adoption of a common framework for business units that would allow programs to operate independently in function and to be accountable directly. In closing, Mr. Waszily cautioned against GSA associates becoming unduly customer-centric to the point of causing rushed procurements or neglecting regulatory requirements.

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## Governmentwide Policy Activities

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- *IG Counsel Testifies in Support of Audit Rights Before Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management.* Kathleen Tighe, Counsel to the Inspector General, testified on July 26, 2005, at a hearing entitled “GSA — Is the Taxpayer Getting the Best Deal?” Her testimony focused on the lack of postaward audit rights over negotiations information under MAS contracts, and GSA’s decision to curtail these rights in 1997. Ms. Tighe emphasized the OIG’s view that defective pricing is a continuing problem and that defective pricing audit rights should be reinstated at GSA. Her testimony also noted that preaward audits are not sufficient standing alone to safeguard the MAS program; that postaward audits are not unduly burdensome; and that there is evidence in commercial practice of comparable audit rights. She stated that it is the very existence of the audit right, even if few postaward audits are actually conducted, that serves as a deterrent to vendors that would misrepresent pricing information to the government and that encourages companies to put in place internal compliance or housekeeping measures.
- *Assistant Inspector General for Auditing and IG Counsel Testify Before the Acquisition Advisory Panel Regarding Contracting for Services.* Eugene Waszily, Assistant Inspector General for Auditing and Kathleen Tighe, Counsel to the Inspector General, testified on May 17, 2005, regarding procurements of commercial services. The Acquisition Advisory Panel was created by the Services Acquisition Reform Act and tasked with reviewing the procurement of commercial services. Mr. Waszily and Ms. Tighe noted procurement personnel are having difficulty adjusting to recent procurement regulations and new customer demands, while trying to operate like a business within the confines of a government environment that has competing priorities. Noting that services procurements have grown significantly in recent years, Mr. Waszily and Ms. Tighe’s testimony went on to set out the OIG’s concerns with services contracting. Their testimony noted that MAS labor rates are vulnerable to overpricing because MAS vendors are unwilling or unable to provide their commercial pricing when negotiating an MAS labor rate. In some instances, these vendors may have only other Federal Government or MAS customers. In other cases, vendors are organizationally separate from affiliates or other units that may have commercial customers, and are unwilling to share commercial pricing of those units or affiliates with GSA during negotiations.

Ms. Tighe and Mr. Waszily noted the government tends to buy services on a time-and-materials basis, unlike the commercial sector that tends to purchase on a firm-fixed price basis. Comparability is hard to determine because the level of risk inherent in the two separate types of buys is different, and there is often no transparency in commercial buys on the specific labor rate used. The testimony also focused on the use of ODCs under Federal Government services procurements. ODCs are generally

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## *Governmentwide Policy Activities*

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added on charges for materials that are provided in support of the main service procured. The OIG has concerns about cost duplication issues with respect to ODCs — Federal agencies may be charged for ODCs both directly and indirectly as part of the labor rate. The testimony also noted that our audit work indicates the two-fold problem that: a) MAS vendors have charged ODCs that dwarfed, in dollar terms, the core service that was the task order's subject, and b) MAS vendors had charged Federal agencies for ODCs that they did not typically charge directly to their commercial customers. They advocated more disclosure by MAS vendors about their ODC practices.

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## Professional Assistance Services

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*The Government Accountability Office issued a revision to the independence standard contained in the Government Auditing Standards. This amendment prohibits Federal audit organizations from performing certain types of management consulting projects because they may impair the independence of the auditors when performing subsequent audit work in the same area. Although we have always maintained our independence when working closely with GSA management, we are no longer performing consulting assignments, and we carefully assess our services to ensure compliance with the new standard. As allowed under the new standard, we are continuing our participation on Agency improvement task forces, committees, and working groups in an observer or advisory capacity.*

**Task Forces, Committees, and Working Groups.** The OIG provides advice and counsel to GSA while monitoring ongoing Agency initiatives. Our representatives advise management at the earliest possible opportunity of potential problems, help ensure that appropriate management controls are provided when installing new or modifying existing Agency systems, and offer possible solutions when addressing complex financial and operational issues.

Our direct participation with the Agency on task forces, committees, and working groups allows us to contribute our expertise and advice, while improving our own familiarity with the Agency's rapidly changing systems. We also benefit by expanding our new initiatives within the Federal community. We nevertheless maintain our ability to independently audit and review programs. Our participation on the task forces is typically as a non-voting advisory member. We maintain a strict policy of excluding staff members who have served on developmental task forces from subsequent audits of the same subject areas.

Some areas in which we have been involved this period include:

- **Single Audit Act Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities primarily as they relate to the personal property disposal program.
- **The Information Technology (IT) Council.** The Council monitors policies and programs to ensure IT consistency throughout the Agency. It is comprised of the Chief Information Officers of the various GSA Services and Staff Offices. Representatives of our office participate in meetings at the request of the Agency on such matters as systems controls, architecture, security, or new legislative requirements.

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## *Professional Assistance Services*

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- **Multiple Award Schedule Working Group.** The Multiple Award Schedule (MAS) Working Group was established as a result of an OIG report released in August 2001 relating to MAS contracting pricing practices. The MAS Working Group is primarily comprised of members of the Federal Supply Service (FSS) and the OIG, with representation also from the Office of General Counsel and the Office of the Chief Acquisition Officer. The Working Group meets regularly and serves as a standing forum for discussion and resolution of issues or concerns having to do with MAS contracting. It has served as an effective institutionalized communications channel for both broad policy issues and discrete issues having to do with particular contracts or reviews.

The Working Group has had several areas of focus, including preaward contract reviews and MAS negotiations issues. The Working Group has developed guidance to MAS COs regarding the performance and use of preaward MAS contract reviews. Further, the Working Group has reinvigorated the process by which FSS and the OIG collaboratively select and commence preaward reviews of vendors, and has built into this process specific mechanisms for COs to request reviews of particular vendors. The Working Group has also focused on issuing guidance to COs regarding negotiations objectives and discrete negotiations issues for MAS contract awards. The Working Group also provided some input to FSS in its efforts to upgrade or enhance pricing performance measures on MAS contracts.

## Statistical Summary of OIG Accomplishments

### **Audit Reports Issued**

The OIG issued 85 audit reports during this reporting period. The 85 reports contained financial recommendations totaling \$689,855,971 including \$682,286,350 in recommendations that funds be put to better use and \$7,569,621 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

### **Management Decisions on Audit Reports**

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2005. There were no reports more than six months old awaiting management decisions as of September 30, 2005. Table 1 does not include five reports issued to other agencies this period. Table 1 also does not include five reports excluded from the management decision process because they pertain to ongoing investigations.

**Table 1. Management Decisions on OIG Audits**

|   | No. of<br>Reports | Reports with<br>Financial<br>Recommendations | Total<br>Financial<br>Recommendations |
|---|-------------------|--|---------------------------------------|
| For which no management decision<br>had been made as of 4/1/05          |                   |  |                                       |
| Less than six months old  | 41                | 31   | \$ 385,309,848                        |
| Six or more months old  | 1                 | 1  | 348,158                               |
| Reports issued this period  | <u>80</u>         | <u>42</u>                                    | <u>689,505,971</u>                    |
| <b>TOTAL</b>  | <b>122</b>        | <b>74</b>                                    | <b>\$1,075,163,977</b>                |
| For which a management decision<br>was made during the reporting period |                   |  |                                       |
| Issued prior periods  | 42                | 32   | \$ 385,658,006                        |
| Issued current period   | 40                | 12   | 73,128,225                            |
| <b>TOTAL</b>  | <b>82</b>         | <b>44</b>                                    | <b>\$ 458,786,231</b>                 |
| For which no management decision<br>had been made as of 9/30/05         |                   |  |                                       |
| Less than six months old  | 40                | 30   | \$ 616,377,746                        |
| Six or more months old  | <u>0</u>          | <u>0</u>                                     | <u>0</u>                              |
| <b>TOTAL</b>  | <b>40</b>         | <b>30</b>                                    | <b>\$ 616,377,746</b>                 |

## Statistical Summary of OIG Accomplishments

### **Management Decisions on Audit Reports with Financial Recommendations**

Tables 2 and 3 present the audits identified in Table 1 as containing financial recommendations by category (funds to be put to better use or questioned costs).

**Table 2. Management Decisions on OIG Audits with Recommendations that Funds be Put to Better Use**

|  | No. of Reports | Financial Recommendations |
|--|----------------|---------------------------|
| For which no management decision had been made as of 4/1/05          |                |                           |
| Less than six months old   | 28             | \$ 384,902,700            |
| Six or more months old   | 0              | 0                         |
| Reports issued this period   | 34             | 682,286,350               |
| <b>TOTAL</b>   | <b>62</b>      | <b>\$1,067,189,050</b>    |
| <br>   |                |                           |
| For which a management decision was made during the reporting period |                |                           |
| <b>TOTAL</b>   | <b>35</b>      | <b>\$ 451,005,386*</b>    |
| <br>   |                |                           |
| For which no management decision had been made as of 9/30/05         |                |                           |
| Less than six months old   | 27             | \$ 616,183,664            |
| Six or more months old   | 0              | 0                         |
| <b>TOTAL</b>   | <b>27</b>      | <b>\$ 616,183,664</b>     |

\*Management agreed with \$410,069,386 in management decisions.

## Statistical Summary of OIG Accomplishments

**Table 3. Management Decisions on OIG Audits  
with Questioned Costs**

|   | No. of<br>Reports | Questioned<br>Costs  |
|---|-------------------|----------------------|
| For which no management decision<br>had been made as of 4/1/05          |                   |                      |
| Less than six months old  | 3                 | \$ 407,148           |
| Six or more months old  | 1                 | 348,158              |
| Reports issued this period  | 8                 | 7,219,621            |
| <b>TOTAL</b>  | <b>12</b>         | <b>\$ 7,974,927</b>  |
| For which a management decision<br>was made during the reporting period |                   |                      |
| <b>TOTAL</b>  | <b>9</b>          | <b>\$13,619,800*</b> |
| For which no management decision<br>had been made as of 9/30/05         |                   |                      |
| Less than six months old  | 3                 | \$ 194,082           |
| Six or more months old  | 0                 | 0                    |
| <b>TOTAL</b>  | <b>3</b>          | <b>\$ 194,082</b>    |

*\*Includes \$5,838,955 that management decided to seek that exceeded recommended amounts.*

## Statistical Summary of OIG Accomplishments

### *Investigative Workload*

The OIG opened 95 investigative cases and closed 59 cases during this period. In addition, the OIG received and evaluated 34 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

### *Referrals*

The OIG makes criminal referrals to the Department of Justice or other authorities for prosecutive consideration and civil referrals to the Civil Division of the Department of Justice or U.S. Attorneys for litigative consideration. The OIG also makes administrative referrals to GSA officials on certain cases disclosing wrongdoing on the part of GSA employees, contractors, or private individuals doing business with the government.

**Table 4. Summary of OIG Referrals**

| <b>Type of Referral</b> | <b>Cases</b> | <b>Subjects</b> |
|-------------------------|--------------|-----------------|
| Criminal                | 44           | 150             |
| Civil                   | 14           | 18              |
| Administrative          | 49           | 78              |
| <b>TOTAL</b>            | <b>107</b>   | <b>246</b>      |

In addition, the OIG made 17 referrals to GSA officials for information purposes only.

### *Actions on OIG Referrals*

Based on these and prior referrals, 35 cases (120 subjects) were accepted for criminal prosecution and 9 cases (11 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 63 indictments/informations and 28 successful prosecutions. OIG civil referrals resulted in 8 case settlements and 1 judgement. Based on OIG administrative referrals, management debarred 38 contractors/individuals, suspended 40 contractors/individuals, and took 13 personnel actions against employees.

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## Statistical Summary of OIG Accomplishments

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### Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, judgments, and restitutions payable to the U.S. Government as a result of criminal and civil actions arising from OIG referrals.

In addition, the OIG had administrative recoveries of \$12,364 during the course of its investigations.

**Table 5. Criminal and Civil Recoveries**

|                           | <u>Criminal</u>  | <u>Civil</u>        |
|---------------------------|------------------|---------------------|
| Fines and Penalties       | \$ 22,598        | \$ —                |
| Settlements and Judgments |                  | 83,219,727          |
| Restitutions              | 632,006          | —                   |
| <b>TOTAL</b>              | <b>\$654,604</b> | <b>\$83,219,727</b> |



# ***APPENDICES***



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## **Appendix I—Significant Audits from Prior Reports**

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Under the Agency audit management decision process, the GSA Office of the Chief Financial Officer, Office of the Controller, is responsible for tracking the implementation of audit recommendations after a management decision has been reached. That office furnished the following status information.

Fourteen audits highlighted in prior reports to the Congress have not yet been fully implemented; all are being implemented in accordance with currently established milestones.

### **Rent Pricing**

*Period First Reported: October 1, 2004 to March 31, 2005*

The review focused on determining if the current pricing methodology is implemented consistently and in accordance with PBS' rent pricing policy. The report contained four recommendations; they have not been implemented.

The recommendations involve including sufficient documentation in regional files, including guidance for developing special case rates, billing the tenant appropriately, and populating more fields in STAR. They are scheduled for completion on November 15, 2005.

### **Building Access through Smart Cards**

*Period First Reported: October 1, 2004 to March 31, 2005*

The review assessed whether PBS is effectively implementing a smart card credential program for secure physical access to facilities managed by GSA. The report contained five recommendations; one has been implemented.

The remaining recommendations involve using vision, goals, and scope to reassess the smart card credential requirements and determining funding needs; reestablishing a physical security function within the PBS organization; reevaluating and improving management controls; and ensuring smart card

credentials and physical access system comply with acquisition regulations. They are scheduled for completion between November 15, 2005 and January 15, 2006.

### **Acquisition of Regional IT Support Services**

*Period First Reported: October 1, 2004 to March 31, 2005*

The review evaluated procurement practices for acquiring IT support services for PBS in the National Capital Region. The report contained four recommendations; three have been implemented.

The remaining recommendation, which involves conducting performance-based services acquisition, is scheduled for completion on November 15, 2005.

### **Emergency Procurement Action**

*Period First Reported: October 1, 2004 to March 31, 2005*

The review centered on a task order for anthrax remediation services awarded to a vendor under its FSS Multiple Award Schedule contract. The report contained one recommendation; it has not been implemented.

The recommendation involves tasking a team of program experts and procurement offices to create a template acquisition plan. It is scheduled for completion on February 15, 2006.

### **Improvements Needed in Management, Operational, and Technical Controls for PBS' STAR System**

*Period First Reported: October 1, 2004 to March 31, 2005*

The review assessed how well the STAR system is meeting requirements and the effectiveness of the system's security controls. The report contained two recommendations; they have not been implemented.

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## **Appendix I—Significant Audits from Prior Reports**

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The recommendations involve ensuring that STAR provides necessary business line management information and ensuring that adequate security controls are in place. They are scheduled for completion on April 15, 2006.

### **Review of Management Controls Over GSA's Centrally Billed Travel Card Account**

*Period First Reported: October 1, 2004 to March 31, 2005*

The review focused on transactions charged to the centrally billed travel charge card account. The report contained five recommendations; one has been implemented.

The remaining recommendations involve establishing a system control to limit approving officials from approving their own authorizations, establishing a process to terminate blank authorizations, establishing a system control requiring travelers to justify costs not designated as direct billed on vouchers, and establishing an alternative control and creating an interface to detect unauthorized charges. They are scheduled for completion on December 15, 2005.

### **Review of the Special Order Program**

*Period First Reported: April 1, 2004 to September 30, 2004*

The regional review of the Special Order Program concluded that order processing can be streamlined. The report contained five recommendations; four have been implemented.

The remaining recommendation involves removing National Stock Numbers (NSNs) from Multiple Award Schedule contracts. It is scheduled for completion on January 15, 2006.

### **Review of FedBizOpps**

*Period First Reported: April 1, 2004 to September 30, 2004*

The review involved an online survey of FedBizOpps users to gather information on user satisfaction to assess the effectiveness of FedBizOpps. The report contained four recommendations; they have not been implemented.

The recommendations involve developing a process to solicit input from vendors on system enhancements,

evaluating enhancements to FedBizOpps based on vendor input, ensuring that background checks are completed, and ensuring that memoranda of agreement are in place for FedBizOpps users. The recommendations are scheduled for completion between November 15, 2005 and September 15, 2006.

### **Employee Awards Program**

*Period First Reported: April 1, 2004 to September 30, 2004*

The review evaluated management controls of the Employee Awards Program. The report contained five recommendations; four have been implemented.

The remaining recommendation, which requires implementation of a management tool to review the justification and nature of awards being made by approving officials, is scheduled for completion on January 15, 2006.

### **Review of E-Authentication**

*Period First Reported: April 1, 2004 to September 30, 2004*

A review of FTS E-Authentication, one of the E-Gov initiatives, identified areas where improvements are needed. The report contained four recommendations; one has been implemented.

The remaining recommendations involve developing a business model with funding methodology for FY 2006 and beyond, merging components of the E-Authentication initiative into an agency implementation guide, and notifying E-Gov initiatives that results from E-Authentication pilots have not yet been incorporated into the technical architecture and identifying risks. They are scheduled for completion between November 15, 2005 and February 15, 2006.

### **The Portfolio Restructuring Initiative**

*Period First Reported: October 1, 2003 to March 31, 2004*

The review evaluated PBS' portfolio restructuring initiative. The report contained three recommendations; two have been implemented.

The remaining recommendation requires considering suggestions for direction and refinement of the restructuring initiative. It is scheduled for completion on November 15, 2005.

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## **Appendix I—Significant Audits from Prior Reports**

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### **Review of GSA’s Process for Establishing Lodging Per Diems**

*Period First Reported: October 1, 2003 to March 31, 2004*

The review examined the process for establishing lodging per diem rates. The report contained two recommendations; one has been implemented.

The remaining recommendation involves documenting the reason for any modification or dismissal of any of the Advisory Board’s recommendations. It is scheduled for completion on November 15, 2005.

### **Consolidation of Distribution Centers**

*Period First Reported: October 1, 2002 to March 31, 2003*

The review examined the operations of the FSS Stock Program. The report contained two recommendations; one has been implemented.

The remaining recommendation, which requires developing access to reliable data for all delivery methods, is scheduled for completion on June 15, 2006.

### **Billing and Payment Systems**

*Period First Reported: April 1, 2002 to September 30, 2002*

The review examined controls over reimbursable work authorizations (RWA) billings between GSA and other Federal agencies. The report contained two recommendations; one has been implemented.

The remaining recommendation involves incorporating estimated cost data for planning workflow before and during the RWA process. It is scheduled for completion on November 15, 2005.

## Appendix II—Audit Report Register

| Date of Report  | Audit Number | Title  | Financial Recommendations     |                                |
|---|--------------|--|-------------------------------|--------------------------------|
|   |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| <i>(Note: Because some audits pertain to contract award or actions that have not yet been completed, the financial recommendations to these reports are not listed in this Appendix.)</i> |              |  |                               |                                |
| <b>PBS Internal Audits</b>  |              |  |                               |                                |
| 05/09/05  | A040106      | Pegasys Account Balance and Transaction Analysis: Construction in Progress — Public Buildings Service  |                               |                                |
| 06/13/05  | A040173      | Review of Northwest/Arctic Region, Public Buildings Service, Western Service Center  |                               |                                |
| 08/02/05  | A050162      | Limited Review of Educational Benefits Related to Rotational Assignments in Puerto Rico Antilles Consolidated School System  |                               |                                |
| 09/26/05  | A040176      | Audit of PBS's Major Repair and Alterations Program  |                               |                                |
| <b>PBS Contract Audits</b>  |              |  |                               |                                |
| 05/04/05  | A050144      | Preaward Review of Architect and Engineering Design Services Contract: BNIM Architects, Solicitation Number GS06P03GZC0519   |                               |                                |
| 05/04/05  | A050160      | Preaward Review of Architect and Engineering Design Services Contract: Consultants to BNIM Architects, Solicitation Number GS06P03GZC0519  |                               |                                |
| 06/02/05  | A050126      | Review of A/E Services Contract: Bohlin Cywinski Jackson, Contract Number GS-10P-03-LTC-0017   |                               |                                |
| 06/29/05  | A040144      | Preaward Audit of a Claim: Solera Construction, Inc./DCM Erectors, Inc., Joint Venture 2nd Tier Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N) |                               |                                |

## *Appendix II–Audit Report Register*

| Date of Report | Audit Number | Title   | Financial Recommendations     |                                |
|----------------|--------------|---|-------------------------------|--------------------------------|
|                |              |   | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 06/30/05       | A040207      | Preaward Audit of a Claim: Laquila Construction, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)   |                               |                                |
| 07/08/05       | A050138      | Review of Claim: Nason and Cullen, Inc., Contract Number GS-03B-02301   |                               |                                |
| 07/19/05       | A050202      | Preaward Review of Architect and Engineering Services Contract: Environmental Systems Design, Inc., Consultant to Skidmore, Owings, and Merrill, LLP., Contract Number GS-05P-04-GBC-0057 |                               |                                |
| 07/29/05       | A050239      | Preaward Review of Architect and Engineering Services Contract: DMJMH&N, Inc., Contract Number GS-11P-04-MKC-0038   |                               |                                |
| 08/04/05       | A050203      | Preaward Review of Architect Engineer Proposal: Skidmore, Owings and Merrill, LLP., Contract Number GS-05P-04-GBC-0057  |                               |                                |
| 09/13/05       | A050145      | Limited Review of Overhead Rate: Smith-Miller & Hawkinson Architects, LLP, Contract Number GS-02P-05-DTC-0020(N)  |                               |                                |
| 09/20/05       | A050156      | Preaward Review of Change Order Proposal: PCL Construction Services, Inc., Contract Number GS06P02GZC0518   |                               |                                |

### ***FSS Internal Audits***

|          |         |  |  |  |
|----------|---------|--|--|--|
| 06/06/05 | A040257 | Review of GSA Global Supply's Expanded Direct Delivery Program |  |  |
| 09/29/05 | A040252 | Audit of FSS's Contractor Assessment Initiative (CAI)          |  |  |
| 09/29/05 | A040246 | Review of the GSA Advantage! System                            |  |  |

## *Appendix II—Audit Report Register*

| Date of Report                    | Audit Number | Title  | Financial Recommendations     |                                |
|-----------------------------------|--------------|--|-------------------------------|--------------------------------|
|                                   |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| <b><i>FSS Contract Audits</i></b> |              |  |                               |                                |
| 04/06/05                          | A050059      | Preaward Review of Multiple Award Schedule Contract: Cort Business Services, Solicitation Number 3FNO-M1-010001-B                                    |                               |                                |
| 04/07/05                          | A050006      | Preaward Review of Multiple Award Schedule Contract Extension: American Hotel Register Company, Contract Number GS-07F-0294K                         |                               |                                |
| 04/28/05                          | A050129      | Preaward Review of Multiple Award Schedule Contract: Modtech Holdings, Inc., Solicitation Number 7FCI-F8-03-0056-B                                   |                               |                                |
| 05/10/05                          | A050112      | Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K   |                               |                                |
| 05/11/05                          | A020220      | Review of Industrial Funding Fee Remittances: Kipper Tool Company, Contract Number GS-06F-0018L  |                               | \$56,162                       |
| 05/19/05                          | A050128      | Preaward Review of Multiple Award Schedule Contract Extension: Metropolitan Interpreters and Translators, Inc., Contract Number GS-10F-0292K         |                               |                                |
| 06/07/05                          | A040100      | Preaward Review of Multiple Award Schedule Contract Extension: W.W. Grainger, Inc., Contract Number GS-06F-0007J                                     |                               |                                |
| 06/10/05                          | A040262      | Preaward Review of Multiple Award Schedule Contract Extension: Digital Systems Group, Incorporated, Contract Number GS-35F-0760J                     |                               |                                |
| 06/14/05                          | A050096      | Preaward Review of Multiple Award Schedule Contract Extension: Northwest Woolen Mills, Division of Hyman Brickle & Son, Contract Number GS-07F-0368K |                               |                                |

## *Appendix II–Audit Report Register*

| Date of Report | Audit Number | Title  | Financial Recommendations     |                                |
|----------------|--------------|--|-------------------------------|--------------------------------|
|                |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 06/15/05       | A050116      | Preaward Review of Multiple Award Schedule Contract Extension: Booz Allen Hamilton, Inc.; Contract Number GS-35F-0306J                     |                               |                                |
| 06/17/05       | A050100      | Preaward Review of Multiple Award Schedule Contract Extension: Technical and Management Services Corporation, Contract Number GS-00F-0020L |                               |                                |
| 06/24/05       | A050077      | Preaward Review of Multiple Award Schedule Contract Extension: DPRA, Inc., Contract Number GS-00F-0030L                                    |                               |                                |
| 06/24/05       | A050077      | Preaward Audit of Cost or Pricing Data: DPRA, Inc., Contract Number GS-00F-0030L   |                               |                                |
| 06/30/05       | A050113      | Preaward Review of Multiple Award Schedule Contract Extension: TEAC Aerospace Technologies, Inc., Contract Number GS-24F-0043K             |                               |                                |
| 07/07/05       | A050048      | Preaward Review of Multiple Award Schedule Contract Extension: Trane, Division of American Standard, Inc., Contract Number GS-07F-0248K    |                               |                                |
| 07/07/05       | A050076      | Preaward Review of Multiple Award Schedule Contract Extension: Siemens Building Technologies, Inc., Contract Number GS-07F-8728D           |                               |                                |
| 07/08/05       | A050007      | Preaward Review of Multiple Award Schedule Contract Extension: Network Equipment Technologies Federal, Inc., Contract Number GS-35F-0205K  |                               |                                |
| 07/12/05       | A050139      | Preaward Review of Multiple Award Schedule Contract Extension: SYColeman Corporation, Contract Number GS-10F-0250K                         |                               |                                |

## *Appendix II—Audit Report Register*

| Date of Report | Audit Number | Title  | Financial Recommendations     |                                |
|----------------|--------------|--|-------------------------------|--------------------------------|
|                |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 07/13/05       | A030227      | Review of Multiple Award Schedule Contract: Softview Washington DC Incorporated, Contract Number GS-14F-8804B for the Period April 1, 1998 to November 1, 2001 |                               | \$1,731,776                    |
| 07/13/05       | A050161      | Preaward Review of Multiple Award Schedule Contract Extension: Advanced Programming Concepts, Inc., Contract Number GS-35F-0407K                               |                               |                                |
| 07/14/05       | A040022      | Review of Multiple Award Schedule Contract Number GS-29F-0001N for the Interim Period October 10, 2002 to December 31, 2003: Humanscale                        |                               | \$339,793                      |
| 07/14/05       | A030257      | Review of Multiple Award Schedule Contract Number GS-14F-0029M for the Interim Period March 14, 2002 to July 27, 2003: Humanscale Corporation                  |                               | \$1,308,543                    |
| 07/15/05       | A050170      | Preaward Review of Multiple Award Schedule Contract Extension: Gaithersburg Equipment Company, Contract Number GS-30F-0010K                                    |                               |                                |
| 07/22/05       | A050086      | Preaward Review of Multiple Award Schedule Contract: Federal Management Systems, Inc., Contract Number GS-10F-0173K  |                               |                                |
| 07/25/05       | A020213      | Limited Scope Postaward Audit of Multiple Award Schedule Contract: Intelligent Decisions, Inc., Contract Number GS-35F-4153D                                   |                               | \$1,400,866                    |
| 07/27/05       | A050084      | Preaward Review of Multiple Award Schedule Contract: Anteon Corporation, Contract Number GS-10F-0154K  |                               |                                |
| 08/02/05       | A050093      | Preaward Review of Multiple Award Schedule Contract Extension: H J Ford Associates, Inc., Contract Number GS-23F-0206K   |                               |                                |

## *Appendix II–Audit Report Register*

| Date of Report | Audit Number | Title   | Financial Recommendations     |                                |
|----------------|--------------|---|-------------------------------|--------------------------------|
|                |              |   | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 08/05/05       | A040225      | Review of Multiple Award Schedule Contract Number GS-24F-1243C for the Interim Period January 1, 2003 Through June 30, 2004: Ortho-Clinical Diagnostics |                               | \$18,544                       |
| 08/16/05       | A050101      | Preaward Review of Multiple Award Schedule Contract Extension: Galaxy Scientific Corporation, Contract Number GS-23F-0243K                              |                               |                                |
| 09/07/05       | A050125      | Preaward Review of Multiple Award Schedule Contract Extension: Steelcase, Incorporated, Contract Number GS-28F-8021H                                    |                               |                                |
| 09/09/05       | A050206      | Preaward Review of Multiple Award Schedule Contract Extension: Club Car, Inc., Contract Number GS-07F-8745D   |                               |                                |
| 09/09/05       | A050237      | Preaward Audit of Cost or Pricing Data: Northrop Grumman Mission Systems Corporation, Solicitation Number 2FYA-WA-030003-B                              |                               |                                |
| 09/12/05       | A050175      | Preaward Review of Multiple Award Schedule Contract Extension: Kleinfelder, Inc., Contract Number GS-10F-0029L  |                               |                                |
| 09/12/05       | A050151      | Preaward Review of Multiple Award Schedule Contract Extension: Global Computer Enterprises, Inc., Contract Number GS-35F-0426K                          |                               |                                |
| 09/13/05       | A050095      | Preaward Review of Multiple Award Schedule Contract Extension: Earthtech Incorporated, Division of Tyco International LTD, Contract Number GS-10F-0209K |                               |                                |
| 09/13/05       | A050073      | Preaward Review of Multiple Award Schedule Contract Extension: Computer Sciences Corporation, Contract Number GS-23F-0092K                              |                               |                                |

## *Appendix II—Audit Report Register*

| Date of Report                    | Audit Number | Title  | Financial Recommendations     |                                |
|-----------------------------------|--------------|--|-------------------------------|--------------------------------|
|                                   |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 09/13/05                          | A050234      | Preaward Review of Multiple Award Schedule Contract Extension: Independent Metal Strap Company, Inc., Contract Number GS-15F-0084K                     |                               |                                |
| 09/15/05                          | A050208      | Preaward Review of Multiple Award Schedule Contract Extension: Onan Corporation, Contract Number GS-07F-9004D  |                               |                                |
| 09/16/05                          | A050232      | Preaward Review of Multiple Award Schedule Contract Extension: Acme Auto Leasing, LLC, Contract Number GS-30F-0005L                                    |                               |                                |
| 09/19/05                          | A040222      | Postaward Review of Multiple Award Schedule Contract Number GS-07F-9477G for the Period February 1, 1999 to January 31, 2004: New Hermes, Incorporated |                               | \$119,376                      |
| 09/19/05                          | A040164      | Preaward Review of Multiple Award Schedule Contract: Oracle Corporation, Solicitation Number FCIS-JB-980001B   |                               |                                |
| <b><i>FTS Internal Audits</i></b> |              |  |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Great Lakes Region                                      |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, New England Region                                      |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Northeast and Caribbean Region                          |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Mid-Atlantic Region                                     |                               |                                |

## *Appendix II–Audit Report Register*

| Date of Report                    | Audit Number | Title   | Financial Recommendations     |                                |
|-----------------------------------|--------------|---|-------------------------------|--------------------------------|
|                                   |              |   | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Heartland Region               |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, National Capital Region        |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Rocky Mountain Region          |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Southeast Sunbelt Region       |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Pacific Rim Region             |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, European Client Support Center |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Greater Southwest Region       |                               |                                |
| 05/18/05                          | A050009      | Review of Federal Technology Service's Client Support Center Controls and Testing of Controls, Northwest/Arctic Region        |                               |                                |
| 09/29/05                          | A040132      | Audit of FTS Regional Telecommunications and Regional Information Technology Solutions Fees                                   |                               |                                |
| <b><i>FTS Contract Audits</i></b> |              |   |                               |                                |
| 04/15/05                          | A040220      | Postaward Review of Presubscribed Interexchange Carrier Charges: AT&T Communications, Inc., Contract Number GS00T99NSC0003    |                               | \$2,244,561                    |

## *Appendix II—Audit Report Register*

| Date of Report                 | Audit Number | Title  | Financial Recommendations     |                                |
|--------------------------------|--------------|--|-------------------------------|--------------------------------|
|                                |              |  | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 08/15/05                       | A050157      | Review of Termination Settlement Proposal: CompuCom Federal Systems, Inc., Contract Number GS00K97AFD2226          |                               |                                |
| <b>Other Internal Audits</b>   |              |  |                               |                                |
| 05/03/05                       | A040109      | Audit of the General Services Administration's Fiscal Years 2004 and 2003 Financial Statements                     |                               |                                |
| 05/09/05                       | A040106      | Pegasys Account Balance and Transaction Analysis: Construction in Progress — Office of the Chief Financial Officer |                               |                                |
| 07/20/05                       | A040142      | Security Vulnerabilities with the Comprehensive Human Resources Integrated System (CHRIS) Oracle Database          |                               |                                |
| 08/16/05                       | A050124      | Review of Payroll Internal Controls - FY 2005  |                               |                                |
| 09/21/05                       | A050174      | FY 2005 Office of Inspector General FISMA Review of GSA's Information Technology Security Program                  |                               |                                |
| 09/30/05                       | A040142      | Strategic Challenges for GSA's Comprehensive Human Resources Integrated System (CHRIS)                             |                               |                                |
| <b>Non-GSA Internal Audits</b> |              |  |                               |                                |
| 09/07/05                       | A050209      | Review of the Administrative Procedures of the United States Arctic Research Commission                            |                               |                                |
| 09/14/05                       | A050192      | Report on Applying Agreed-Upon Procedures Re: FY 2005 Fund Balance with Treasury                                   |                               |                                |
| 09/15/05                       | A050124      | Report on Applying Agreed-Upon Procedures Re: Payroll  |                               |                                |

## *Appendix II–Audit Report Register*

| Date of Report                        | Audit Number | Title   | Financial Recommendations     |                                |
|---------------------------------------|--------------|---|-------------------------------|--------------------------------|
|                                       |              |   | Funds to Be Put to Better Use | Questioned (Unsupported) Costs |
| 09/28/05                              | A050192      | Report on Applying Agreed-Upon Procedures Re: FY 2005 Western Distribution Center Inventory Testing |                               |                                |
| <b><i>Non-GSA Contract Audits</i></b> |              |   |                               |                                |
| 04/13/05                              | A010097      | Department of Justice Settlement with Ashland Chemical Company, Drew Industrial Division (Drew)     |                               | \$350,000                      |

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## Appendix III—Audit Reports over 12 Months Old with Final Action Pending

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Pursuant to Section 810, Prompt Resolution of Audit Recommendations, of the National Defense Authorization Act, (Public Law 104-106), 5 U.S.C. App. 3, § 5 note, this appendix identifies those audit reports where final actions remain open 12 months after the report issuance date. The GSA Office of the Chief Financial Officer, Office of the Controller, furnished the following information.

*Audits with Management Decisions Made after February 10, 1996 for Which No Final Action Has Been Completed*

| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>  |
|-----------------------|---------------------|---|
| 03/21/97              | A70632              | Preaward Audit of Change Order Proposal: Expert Electric, Inc., Contract Number GS-02P-94-CUC-0033(N)   |
| 06/27/97              | A71811              | Audit of Claim for Increased Costs, Miscellaneous Subcontractors to: Morse Diesel International, Inc., Contract Number GS06P94GYC0037                             |
| 07/11/97              | A71803              | Audit of Claim for Increased Costs: Nicholson Construction Company, Contract Number GS06P94GYC0037  |
| 07/22/97              | A71804              | Audit of Claim for Increased Costs: Rodio/ICOS St. Louis Joint Venture, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P94GYC0037         |
| 07/31/97              | A71820              | Audit of Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS06P94GYC0037  |
| 08/05/97              | A73617              | Refund From The Committee For Purchase From People Who Are Blind Or Severely Disabled, Agreement Number GS-02F-61511  |
| 11/26/97              | A22536              | Postaward Audit of Multiple Award Schedule Contract: Ingres Corporation, Contract Number GS00K89AGS5589   |
| 02/05/98              | A80609              | Preaward Audit of a Delay Claim: The Woodworks Architectural Millwork, Inc., Subcontractor to Beacon/Pro Con Joint Venture, Contract Number GS-02P-94-CUC-0070(N) |
| 05/27/98              | A42146              | Postaward Audit of Multiple Award Schedule Contract: Haworth, Incorporated, Contract Number GS-00F-07010  |
| 06/17/98              | A82441              | Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., Contract Number GS-09P-95-KTC-0010   |
| 09/04/98              | A990302             | Postaward Audit of Multiple Award Schedule Contract: Westinghouse Furniture Systems, Contract Number GS-00F-76574   |
| 10/13/98              | A80636              | Preaward Audit of a Claim: Structural Preservation Systems, Inc., Contract Number GS-02P-96-DTC-0033  |

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## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>   |
|-----------------------|---------------------|--|
| 02/05/99              | A995113             | Preaward Audit of Supplemental Architect and Engineering Services Contract: Van Deusen & Associates, Solicitation Number GS-02P-98-PLD-0029(N)   |
| 03/24/99              | A995128             | Preaward Audit of Cost or Pricing Data: Sachs Electric Company, Subcontractor to Morse Diesel International, Inc., Contract Number GS06P95GZC0501  |
| 06/08/99              | A995192             | Limited Postaward Audit of Multiple Award Schedule Contract for the Period April 1, 1997 Through February 28, 1999: Danka Office Imaging Company, Contract Number GS-26F-1018B                     |
| 06/24/99              | A995231             | Audit of Small Business Subcontracting Plan: Rael Automatic Sprinkler Company, GS-02P-95-DTC-0041(N)   |
| 07/07/99              | A995249             | Audit of Small Business Subcontracting Plan: L. Martone and Sons, Inc., Contract Number GS-02P-95-DTC-0041(N)  |
| 10/13/99              | A995262             | Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract GS-02P-95-DTC-0014(N)   |
| 10/26/99              | A995278             | Preaward Audit of a Claim: Midlantic Erectors, Inc., Subcontractor to Metropolitan Steel Industries, Inc., Contract Number GS-02P-95-DTC-0014(N)   |
| 11/04/99              | A995272             | Preaward Audit of a Claim: Metropolitan Steel Industries, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014(N)  |
| 11/10/99              | A995271             | Preaward Audit of Architect and Engineering Services Contract: HLW International LLP, Contract Number GS-02P-93-CUC-0062   |
| 03/29/00              | A81830              | Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Period March 8, 1991 Through February 29, 1996      |
| 03/29/00              | A995122             | Postaward Audit of Standardization and Control of Industrial-Quality Tools Contract: Wright Tool Company, Contract Number GS-00F-14609 for the Interim Period March 1, 1996 Through April 30, 1998 |
| 04/25/00              | A000975             | Preaward Audit of Multiple Award Schedule Contract: Day Runner, Incorporated, Contract Number GS-14F-0193D   |
| 06/01/00              | A000971             | Audit of Claims for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project  |
| 07/19/00              | A000940             | Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

| Date of Report | Audit Number | Title  |
|----------------|--------------|--|
| 08/24/00       | A000941      | Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014                   |
| 10/17/00       | A001024      | Preaward Audit of a Claim: Canron Fabrication Corp., Second-Tier Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014                      |
| 10/30/00       | A000942      | Preaward Audit of a Claim: Centrifugal/Mechanical Associates, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014                   |
| 01/10/01       | A001021      | Postaward Audit of Multiple Award Schedule Contract: Merant, Inc. for the Interim Period March 26, 1999 Through September 30, 2000, Contract Number GS-35F-0322J       |
| 01/29/01       | A000909      | Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 02/08/01       | A010089      | Audit of a Claim for Increased Costs: Palafox Street Associates, L.P., Federal Courthouse, Pensacola, FL, Lease Number GS-04B-35055                                    |
| 03/20/01       | A001119      | Audit of Forward Pricing Rates: J.A. Jones-GMO, LLC, Contract Number GS-02P-99-DTC-0006 & GS-02P-98-DTC-0088   |
| 03/29/01       | A010169      | Preaward Audit of Cost Plus Fixed Fee IDIQ Proposal: RS Information Systems, Inc., Solicitation Number GSC-TFMGD-00-3006   |
| 04/30/01       | A010127      | Audit of Billings under Contract Number GS06P99GZC0315: DKW Construction, Inc.   |
| 05/11/01       | A010128      | Preaward Audit of a Change Order Proposal: D.A.G. Floors, Inc., Subcontractor to J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N                   |
| 05/23/01       | A010160      | Preaward Audit of Cost or Pricing Data: John Milner Associates, Inc., Solicitation Number 2PCB-CM-010174   |
| 05/31/01       | A010118      | Preaward Audit of a Claim for Increased Costs: Amelco Construction, Roybal Federal Building & Courthouse, Los Angeles, California, Contract Number GS-09P-98-KTC-0020  |
| 07/31/01       | A001055      | Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014                                |
| 08/14/01       | A010222      | Preaward Audit of Architect and Engineering Proposal: Perkins and Will, Inc., Solicitation Number GS-09P-00-KTC-0088   |
| 10/18/01       | A63630       | Postaward Audit of Multiple Award Schedule Contract: The Presidio Corporation, Contract Number GS00K-95-AGS-6170, Contract Period April 1, 1995 through March 31, 1996 |

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## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>  |
|-----------------------|---------------------|---|
| 10/31/01              | A010265             | Preaward Audit of Architect and Engineering Services Contract; HNTB District of Columbia Architecture, P.C., Solicitation Number GS-11P-00-MQC-0041   |
| 12/18/01              | A001123             | Postaward Audit of Multiple Award Schedule Contract: Rose Talbert Paint Company, Contract Number GS-10F-48584, for the Period May 9, 1988 through April 30, 1991  |
| 01/11/02              | A010281             | Preaward Audit of a Claim for Increased Costs: Lawson Mechanical Contractors, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032 |
| 02/20/02              | A010138             | Preaward Audit of a Claim: Heritage Air Systems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 04/03/02              | A010263             | Preaward Audit of a Claim: Island ADC, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 04/11/02              | A60648              | Postaward Audit of Multiple Award Schedule Contract: Gaylord Bros., Contract Numbers GS-00F-3918A & GS-00F-3919A  |
| 04/18/02              | A010248             | Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 04/26/02              | A010262             | Preaward Audit of a Claim: Coken Company, Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014  |
| 04/30/02              | A020101             | Preaward Audit of a Claim, Additional Change Items: Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 05/16/02              | A020115             | Limited Scope Audit of a Termination Claim: Patriot Group Contractors, Inc., Contract Number GS-11P-99-MAC-0006   |
| 05/17/02              | A020125             | Audit of Acceleration Costs: J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N  |
| 05/17/02              | A020134             | Audit of Delay Costs: J. Kokolakis Contracting, Inc., Contract Number GS-02P-98-DTC-0056N   |
| 05/29/02              | A020109             | Preaward Audit of a Claim: Schindler Elevator Corporation, Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 05/29/02              | A020124             | Preaward Audit of a Claim for Increased Costs: Res-Com Insulation, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032      |
| 06/06/02              | A020132             | Audit of Claim for Increased Costs: Dick Corporation, Contract Number GS-05P-97-GBC-0011  |

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## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>   |
|-----------------------|---------------------|--|
| 06/06/02              | A020141             | Audit of Claim for Increased Costs: The Albert M. Higley Co., Subcontractor to Dick Corporation, Contract Number GS-05P-97-GBC-0011  |
| 06/06/02              | A020142             | Audit of Claim for Increased Costs: Mohawk Re-Bar Services, Inc., Subcontractor to Dick Corporation, Contract Number GS-05P-97-GBC-0011  |
| 06/12/02              | A020097             | Preaward Audit of a Claim for Increased Costs: Artisans G & H Fixtures, Inc., Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032  |
| 06/27/02              | A010239             | Preaward Audit of a Claim: Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 07/16/02              | A020191             | Preaward Audit of Supplemental Architect and Engineering Contract: McMullan & Associates, Inc., Solicitation Number GS-11P-01-YTD-0319   |
| 07/30/02              | A020086             | Preaward Audit of a Claim for Increased Costs: Raymond Interior Systems North, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032 |
| 08/07/02              | A020173             | Preaward Audit of a CQM Proposal: CCJN & Company, Architects & Planners, P.C., Requisition/Procurement Request Number 2PMC-U-02-CQM  |
| 09/04/02              | A020180             | Preaward Audit of Architect and Engineering Services Contract: Adtek Engineering, Inc., Solicitation Number GS-11P-01-YTD-0319   |
| 09/24/02              | A020196             | Preaward Audit of Architect and Engineering Services Contract: BEI Structural Engineers, Inc., Solicitation Number GS-11P-01-YTD-0319  |
| 09/26/02              | A020201             | Preaward Audit of a Claim: Almar Plumbing and Heating Corp., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014  |
| 10/02/02              | A020178             | Preaward Audit of Multiple Award Schedule Contract Modification: Motorola, Inc., GSA Contract Number GS-35F-0004L  |
| 11/14/02              | A020223             | Preaward Audit of a Claim: Fine Painting Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 11/20/02              | A010279             | Preaward Audit of a Claim for Increased Costs: Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032  |
| 11/22/02              | A020224             | Preaward Audit of a Claim for Increased Costs: Commonwealth Electric Company, Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008          |

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

| Date of Report | Audit Number | Title   |
|----------------|--------------|---|
| 12/23/02       | A020176      | Preaward Audit of a Claim for Increased Costs: Vetro, Inc., Contract Number GS-09P-97-KTC-0008  |
| 01/03/03       | A020242      | Preaward Audit of Cost and Pricing Data: Stronghold Engineering, Inc., Solicitation Number GS-09P-02-KTC-0069   |
| 01/07/03       | A020192      | Preaward Audit of a Claim for Increased Costs: Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008   |
| 01/22/03       | A020233      | Preaward Audit of a Claim for Increased Costs: Sun Mechanical Contracting, Inc., Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008          |
| 01/30/03       | A020248      | Audit of Claim for Increased Costs: Doan/Lake Erie LLC, Contract Number GS-05P-99-GBC-0012  |
| 02/07/03       | A020238      | Preaward Audit of a Claim for Increased Costs: Standard Drywall, Inc., Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008                    |
| 02/12/03       | A030081      | Preaward Audit of a Claim for Increased Costs: Hardrock Concrete Placement Company, Inc., Subcontractor to Swinerton Builders, Evo A. Deconcini U.S. Courthouse & Federal Building, Tucson, Arizona, Contract Number GS-09P-97-KTC-0008 |
| 02/20/03       | A020217      | Preaward Audit of Sole Source Contract: NEEKO Construction, Inc., Solicitation Number GS-11P-02-ZGC-0218 "NEG" 8(A)   |
| 03/14/03       | A020197      | Preaward Audit of a Claim: Rael Automatic Sprinkler Co., Inc., Subcontractor to Turner Construction Company, Contract Number GS-02P-95-DTC-0014   |
| 03/20/03       | A020251      | Audit of Claim for Increased Costs: The Cleveland Marble Mosaic Company, Contract Number GS-05P-99-GBC-0043   |
| 03/21/03       | A020133      | Preaward Audit of a Claim for Increased Costs: Cosco Fire Protection, Inc., Subcontractor to Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032           |
| 03/25/03       | A030140      | Limited Scope Review of Termination Claim: Science Applications International Corporation, Contract Number GS-35F-4461G, Task Order Number T0002SJ0159  |
| 05/02/03       | A030106      | Preaward Audit of a Claim for Increased Costs: George Foss Company, Subcontractor to Morse Diesel International, Inc., New U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032               |

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

| Date of Report | Audit Number | Title   |
|----------------|--------------|---|
| 05/06/03       | A030142      | Preaward Audit of Construction Management Services Contract: Gilbane Building Company, Solicitation Number GS-02P-02-DTC-0031N  |
| 05/19/03       | A030092      | Preaward Audit of a Termination Settlement Proposal: L&H Construction Co., Inc., Contract Number GS-02P-99-DTC-0013   |
| 05/29/03       | A020230      | Preaward Audit of a Claim for Increased Costs: C.E. Toland & Son, Subcontractor to Morse Diesel International, Inc., U.S. Courthouse & Federal Building, Sacramento, California, Contract Number GS-09P-95-KTC-0032 |
| 06/02/03       | A030138      | Audit of Claim for Increased Costs: Hunt Construction Group, Inc., Contract Number GS-05P-96-GBC-0015   |
| 08/08/03       | A030177      | Review of Incurred Costs: Jacobs Facilities, Inc., Contract Number GS-11P-98-MYD-0015   |
| 08/28/03       | A030199      | Audit of Claim for Increased Costs: Dick Corporation, Contract Number GS-05P-97-GBC-0011  |
| 09/23/03       | A030236      | Preaward Audit of Architect and Engineering Services Contract: Atkinson Koven Feinberg Engineers, LLP, Consultant to Perkins Eastman Architects, PC, Solicitation Number GS-02P-03-DTD-0008(N)                      |
| 09/29/03       | A030152      | Preaward Audit of a Claim: J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006   |
| 09/30/03       | A030264      | Preaward Audit of Cost and Pricing Data: Kelly's Cleaning Services, Inc., Solicitation Number GS-02P-03-PIC-0028  |
| 10/09/03       | A030247      | Preaward Audit of Architect and Engineering Design Services Contract: Syska Hennessy Group, Inc., Solicitation Number GS11P02MKC0057  |
| 10/09/03       | A030248      | Preaward Audit of Architect and Engineering Design Services Contract: STUDIOS Architecture, Solicitation Number GS11P02MKC0057  |
| 10/09/03       | A030250      | Preaward Audit of Architect and Engineering Design Services Contract: Thorton-Tomasetti-Cutts LLC, Solicitation Number GS11P02MKC0057   |
| 10/09/03       | A030244      | Preaward Audit of Architect and Engineering Design Services Contract: Shalom Baranes Associates, Solicitation Number GS11P02MKC0057   |
| 10/16/03       | A030225      | Preaward Audit of Claim: AMEC Construction Management, Inc., Contract Number GS-11P96MKC0015  |
| 10/29/03       | A030181      | Limited Scope Postaward Audit of Multiple Award Schedule Contract: R.S. Information Systems, Inc., Contract Number GS-35F-5355H   |

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

| Date of Report | Audit Number | Title  |
|----------------|--------------|--|
| 11/04/03       | A030261      | Preaward Audit of Architect and Engineering Services Contract: Perkins Eastman Architects, P.C., Solicitation Number GS-02P-03-DTD-0008(N)           |
| 11/20/03       | A040054      | Preaward Audit of Multiple Award Schedule Contract: The Public Strategies Group, Inc., Contract Number GS-10F-0023J                                  |
| 12/05/03       | A030241      | Audit of Claim for Increased Costs: BPI Mechanical, Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015    |
| 12/17/03       | A030168      | Preaward Audit of Multiple Award Schedule Contract: Dynamic Systems, Inc., Solicitation Number FCIS-JB-980001B                                       |
| 12/17/03       | A040001      | Preaward Audit of Multiple Award Schedule Contract: Concord Communications, Incorporated, Solicitation Number FCIS-JB-980001B                        |
| 12/31/03       | A030172      | Preaward Audit of a Claim: Cord Contracting Co., Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)    |
| 12/31/03       | A030215      | Preaward Audit of a Claim: A&L Construction Corporation, Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)  |
| 01/12/04       | A040067      | Audit of Claim for Increased Costs: C.J. Coakley Co., Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015  |
| 01/12/04       | A040098      | Preaward Audit of Supplemental Architect and Engineering Services Contract: Gonzalez Hasbrouck, Inc., Solicitation Number GS-05P-03-GBD-0072         |
| 01/13/04       | A030265      | Interim Audit of Multiple Award Schedule Contract: BearingPoint, LLC, Contract GS-23F-9796H  |
| 01/15/04       | A030155      | Preaward Audit of a Claim: LBL Skysystems, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)          |
| 01/16/04       | A030234      | Preaward Audit of a Claim: KSW Mechanical Services, Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N) |
| 01/29/04       | A030223      | Preaward Audit of Claim: John J. Kirlin, Inc., Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P96MKC0015                  |
| 02/03/04       | A040119      | Attestation Review of Supplemental Architect and Engineering Services Contract: Julie Snow Architects, Inc., Solicitation Number GS-05P-03-GBD-0072  |
| 03/01/04       | A030259      | Preaward Audit of a Claim: Airflex Industrial Inc., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)       |
| 03/02/04       | A040004      | Preaward Attestation Engagement Review of Multiple Award Schedule Contract Extension: Black Box Corporation, Contract Number GS-35F-0158J            |

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## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

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| <b>Date of Report</b> | <b>Audit Number</b> | <b>Title</b>  |
|-----------------------|---------------------|---|
| 03/09/04              | A040162             | Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Interim Period April 1, 2004 Through September 30, 2006  |
| 03/09/04              | A030186             | Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G, for the Contract Period December 12, 1996 Through October 31, 2003 |
| 03/19/04              | A040105             | Attestation Engagement Review of Multiple Award Schedule Contract: Rhombic Systems, Inc., Contract Number GS-35F-0461J  |
| 03/23/04              | A030191             | Preaward Audit of a Claim: Five Star Electric Corp., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)                             |
| 03/31/04              | A030230             | Preaward Attestation Review of a Claim: Singleton Electric Company, Inc., a Subcontractor to AMEC Construction Management, Inc., Contract Number GS-11P-96-MKC-0015         |
| 06/03/04              | A040091             | Audit of Claim for Increased Costs: Industrial First, Inc., Subcontractor to Hirschfeld Steel Co., Inc., Contract Number GS-05P-97-GBC-0011                                 |
| 06/08/04              | A040165             | Audit of Claim for Increased Costs: Industrial First, Inc., Subcontractor to Ajay Glass & Mirror Co., Inc., Contract Number GS-05P-97-GBC-0011                              |
| 06/09/04              | A040095             | Preaward Audit of a Termination Settlement Proposal: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024  |
| 06/15/04              | A040095             | Audit of Final Contract Payment: M.L. Benjamin Enterprises, Inc., Contract Number GS-02P-00P-VC-0024  |
| 06/21/04              | A020220             | Interim Postaward Review of Multiple Award Schedule Contract: Kipper Tool Company, Contract Number GS-06F-0018L   |
| 06/25/04              | A040112             | Review of Claim for Increased Costs: Ajay Glass & Mirror Co., Inc., Subcontractor to Dick Corporation, Contract Number GS-05P-97-GBC-0011                                   |
| 06/28/04              | A040085             | Limited Scope Postaward Audit of Multiple Award Schedule Contract: Onboard Software, Inc., Contract Number GS-35F-0117J   |
| 06/30/04              | A040116             | Preaward Review of Multiple Award Schedule Contract Extension: Booz Allen Hamilton Inc., Contract Number GS-35F-0306J   |
| 07/01/04              | A040143             | Review of Claim for Increased Costs: SimplexGrinnell, LP, GS-05P-99-GBC-0015  |
| 07/12/04              | A040125             | Attestation Engagement Review of A/E Services Contract: Cannon Design, Inc., Solicitation Number GS-02P-03-DTC-0003   |

## *Appendix III–Audit Reports over 12 Months Old with Final Action Pending*

| Date of Report | Audit Number | Title  |
|----------------|--------------|--|
| 07/15/04       | A040053      | Attestation Engagement Review of Supplemental Construction Management Services Contract: Jacobs Facilities Inc., Solicitation Number GS-02P-03-DTD-0030(N) |
| 07/22/04       | A040194      | Preaward Review of Architect and Engineering Services Contract: Hellmuth, Obata and Kassabaum, PC, Solicitation Number GS11P04MKC0022                      |
| 07/23/04       | A040196      | Preaward Review of Architect and Engineering Services Contract: Systech Group, Inc. - Security Solicitation Number GS11P03MKC0004                          |
| 07/23/04       | A040197      | Preaward Review of Architect and Engineering Services Contract: Systech Group, Inc., Fire Protection & Life Safety, Solicitation Number GS11P03MKC0004     |
| 08/05/04       | A040198      | Preaward Review of Architect and Engineering Services Contract: URS Corporation, Solicitation Number GS11P03MKC0004  |
| 08/13/04       | A040166      | Preaward Review of Multiple Award Schedule Contract: GovConnection, Incorporated, Solicitation Number FCIS-JB-980001B                                      |
| 08/31/04       | A030158      | Preaward Audit of a Claim: ADF Steel Corp., Subcontractor to J.A. Jones Construction Group, LLC, Contract Number GS-02P-99-DTC-0006(N)                     |
| 09/15/04       | A040214      | Preaward Attestation Engagement Review of Multiple Award Schedule Contract: Symmetricom, Incorporated, Solicitation Number 7FCM-U5-04-6601-B               |
| 09/21/04       | A040236      | Attestation Review of Architect and Engineering Design Services Contract: Richard Fleischman Architects, Inc., Contract Number GS-05P-03-GBC-0096          |
| 09/22/04       | A040184      | Preaward Review of Multiple Award Schedule Contract Extension: Olympus Industrial America, Inc., Contract Number GS-24F-1275C                              |
| 09/24/04       | A040141      | Preaward Attestation Engagement Review of Multiple Award Schedule Contract Extension: Unisys Corporation, Contract Number GS-35F-0343J                     |

## *Appendix III—Audit Reports over 12 Months Old with Final Action Pending*

| Date of Report                | Audit Number | Title   | Projected Final Action Date |
|-------------------------------|--------------|---|-----------------------------|
| <b><i>Internal Audits</i></b> |              |   |                             |
| 07/15/99                      | A82706       | PricewaterhouseCoopers LLP Management Letter, Fiscal Year 1998 Financial Statement Audit                  | Open                        |
| 05/29/01                      | A001012      | PricewaterhouseCoopers LLP Fiscal Year 2000 Interim and Year-End Management Letters                       | 10/15/05                    |
| 09/27/01                      | A010110      | Review of GSA's Natural Gas Program, Public Buildings Service   | 11/15/05                    |
| 05/10/02                      | A010187      | Audit of the General Services Administration's Fiscal Years 2001 and 2000 Financial Statements            | Open                        |
| 09/30/02                      | A020056      | Audit of Controls Over Reimbursable Work Authorizations Billing Practices in the Greater Southwest Region | 11/15/05                    |
| 03/18/03                      | A020161      | Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs & Delivery Times   | 06/15/06                    |
| 03/18/03                      | A020163      | Audit of the General Services Administration's Fiscal Years 2002 and 2001 Financial Statements            | Open                        |
| 12/19/03                      | A030110      | PricewaterhouseCoopers, LLP Fiscal Year 2003 EDP Management Letter  | Open                        |
| 12/31/03                      | A030080      | Review of PBS Portfolio Restructuring Initiative  | 11/15/05                    |
| 03/15/04                      | A020203      | Review of GSA's Process for Establishing Lodging Per Diems  | 11/15/05                    |
| 03/31/04                      | A030110      | Audit of the General Services Administration's Fiscal Years 2003 and 2002 Financial Statements            | 10/15/05                    |
| 08/05/04                      | A020245      | Review of FedBizOpps  | 09/15/06                    |
| 09/21/04                      | A040099      | Review of GSA's Awards Program  | 01/15/06                    |
| 09/27/04                      | A020204      | Review of Federal Supply Service's Special Order Program in the Heartland Region                          | 01/15/06                    |
| 09/30/04                      | A040039      | Review of Federal Technology Service E-Authentication Initiative  | 02/15/06                    |

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## Appendix IV—Delinquent Debts

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The GSA Office of the Chief Financial Officer provided the following information.

### ***GSA Efforts to Improve Debt Collection***

During the period April 1, 2005 through September 30, 2005, the following activities were undertaken by GSA in an effort to improve debt collection and reduce the amount of debt written off as uncollectible.

- From April 1, 2005 to September 30, 2005, the GSA Finance Centers referred approximately \$1.6 million of delinquent non-Federal claims to the U.S. Treasury Department (Treasury) for cross-servicing collection activities. Collections on non-Federal claims exceeded \$219.6 million. Administrative offsets have resulted in additional collections of \$8.2 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PADs). From April 1, 2005 to September 30, 2005, 38 PADs totaling \$59,177 were processed.
  - To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the Treasury Financial Management Service (FMS) for collection via cross-servicing.
  - Persistent claims coordination between regional contracting officers, Treasury, and our Finance Centers continues to strengthen our claims collection efforts. These efforts include exchanging necessary information to further the collection process, such as clarifying the status and circumstances which initiated the claim, notification of bankruptcy actions, and obtaining additional documentation to support the claim.
  - In accordance with OMB Circular A-129, we continue to write off uncollected claims aged over two years old. However, written-off claims due from debtors for which Treasury has a taxpayer identification number or social security number remain in Treasury's Offset Program (TOP) for up to ten years and can be collected.
  - The Profit Recovery Group, through a contract arrangement with GSA, continues to actively review and pursue overpayments in conjunction with our Accounts Payable Division associates.
- GSA representatives held meetings with various National Institute for the Blind/National Institute for the Severely Handicapped (NIB/NISH) customers to discuss payment of GSA bills. The representatives emphasized all GSA bills must be paid within 45 days, including those for items with discrepancies. As a result, the amount of outstanding accounts receivable from NIB/NISH customers has gone up only slightly, from \$2.4 million as of March 2, 2005, the last time of the report, to \$2.5 million as of September 2, 2005.
- As of September 21, 2005, the District of Columbia (DC) Government owed GSA \$111,285 for 3 supply bills over two years old. This is a decrease from the 38 bills totaling \$423,996 they owed as of March 7, 2005. The DC Government was able to obtain special funding to pay the majority of these old bills. A spreadsheet of all outstanding supply bills is sent monthly to the DC Government's Inspector General and Chief Financial Officer (CFO). These old bills were not being paid because the DC Government had difficulty finding the ordering office and the funding document associated with the charges. We have not written these bills off because the DC Government CFO has agreed to request funding to pay GSA for these bills. A significant amount of our non-Federal debt in the Information Technology Fund involves the DC Government and its many offices. We are working diligently with the Federal Technology Service staff to reduce these delinquent accounts and settle all disputed amounts so we can effect collection. A letter signed by GSA's CFO was sent to the DC Government's CFO on August 25, 2005 outlining the poor payment history of the DC Government and requesting assistance in collection efforts. Since March 2005, we have reduced the delinquent amount by \$6.1 million.
  - Department of Defense Contractor, Martin Marietta Manned Space Systems, refused to pay two GSA Federal Supply Service bills totaling \$3,673. Although the bills were over four years old, GSA refused to give up on collecting them. In December 2004, the bills were combined and transferred for collection as a non-Federal claim under the provisions of the Debt Collection Improvement Act.

## Appendix IV—Delinquent Debts

When the debtor still refused to pay, the debt was transmitted to Treasury for collection in March of 2005. Treasury's private collection contractor collected the full amount of the debt, plus \$1,061 in collection fees, in September 2005.

- In April 2005, two large previously unidentified audit related collections were booked for \$1,280,400 and \$330,000 from the Trans Union company.
- Claims procedures are being revised to improve claims management and control. Changes include increased telephone follow-up contacts on claims over \$50,000 and increased efforts to identify invoice offsets. We expect these administrative adjustments will result in faster claim resolutions.
- The GSA Fleet Accident Management Center (AMC) recently instituted two new procedures intended to increase collections and reduce the number and total amount of claims written off.

1. AMC is now making a final review of all vehicle accident claims before they are sent to Treasury for collection. The purpose of the review is to verify all

information about the debtor and the claim to assure a valid legal claim exists. The goal is to reduce the number of vehicle accident claims returned uncollected from Treasury and written off because they are invalid.

2. AMC reviews all uncollected vehicle accident claims returned to GSA by Treasury. If insurance information on the debtor is available, AMC will call the insurance company and make an additional attempt to collect the claim. AMC has been able to collect several old vehicle claims since beginning this process.

- The magnitude of destruction brought on by Hurricane Katrina has created tremendous problems for many citizens. In an effort to assist the victims of this disaster, GSA has given Treasury the go-ahead to place all debt for debtors living in federally designated disaster areas on a 120-day hold. As a result of this disaster, GSA has 13 claims totaling \$27,332. Only one of the claims is currently at Treasury for collection.

### Non-Federal Accounts Receivable

|  | As of<br>April 1, 2005 | As of<br>September 30, 2005 | Difference    |
|--|------------------------|-----------------------------|---------------|
| Total Amounts Due GSA  | \$90,519,793           | \$155,957,756               | \$65,437,963  |
| Amounts Delinquent   | \$76,277,959           | \$29,789,538                | -\$46,488,421 |
| Total Amount Written Off as Uncollectible Between 4/1/05 and 9/30/05 | \$3,864,607            |                             |               |

## Appendix V—Reporting Requirements

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the

Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill and the National Defense Authorization Act is also cross-referenced to the appropriate page of the report.

| Requirement   | Page      |
|---|-----------|
| <b>Inspector General Act</b>  |           |
| Section 4(a)(2) – Review of Legislation and Regulations . . . . .   | 26-30     |
| Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies . . . . .  | 2, 14     |
| Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies . . . . .                  | 2, 14     |
| Section 5(a)(3) – Prior Recommendations Not Yet Implemented . . . . .   | 41        |
| Section 5(a)(4) – Matters Referred to Prosecutive Authorities . . . . .   | 36        |
| Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused . . . . .                                 | None      |
| Section 5(a)(6) – List of Audit Reports . . . . .   | 44        |
| Section 5(a)(7) – Summary of Each Particularly Significant Report . . . . .   | 2, 14     |
| Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs . . . . .                                  | 35        |
| Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .   | 34        |
| Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision . . . . .                    | None      |
| Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees . . . . . | None      |
| <b>Senate Report No. 96-829</b>   |           |
| Resolution of Audits . . . . .  | 33        |
| Delinquent Debts . . . . .  | 65        |
| <b>National Defense Authorization Act, Public Law 104-106, 5 U.S.C. App. 3, § 5 note . . . . .</b>                          | <b>54</b> |

## Appendix VI—OIG Offices and Key Officials

### Office of the Inspector General

Inspector General, Brian D. Miller (J) .....(202) 501-0450  
Deputy Inspector General, Joel S. Gallay (JD) .....(202) 501-1362

### Office of Counsel to the Inspector General

Counsel to the IG, Kathleen S. Tighe (JC) .....(202) 501-1932  
Deputy Counsel to the IG, Virginia S. Grebasch (JCD) .....(202) 501-1932

### Office of Internal Evaluation

Director, James A. Amoroso (JE) .....(202) 501-2460

### Office of Audits

Assistant IG for Auditing, Eugene L. Waszily (JA) .....(202) 501-0374  
Principal Deputy Assistant IG for Auditing, Andrew Patchan, Jr. (JAD) .....(202) 501-0374

### Programmatic Audit Office Deputy Assistant Inspectors General for Auditing (DAIGAs)

Finance & Administrative Audit Office, DAIGA Kristin R. Wilson (JA-F) .....(202) 501-0006  
Information Technology Audit Office, DAIGA Gwendolyn A. McGowan (JA-T) .....(703) 308-1223  
Acquisition Programs Audit Office, DAIGA Kenneth L. Crompton (JA-A) .....(703) 603-0189  
Real Property Audit Office, DAIGA Regina M. O'Brien (JA-R) .....(202) 219-0088

### Regional Inspectors General for Auditing (RIGAs)

National Capital Region Field Office, RIGA Paul J. Malatino (JA-W) .....(202) 708-5340  
New England Field Office, RIGA Joseph B. Leland (JA-1) .....(617) 565-6795  
Northeast and Caribbean Field Office, RIGA Joseph M. Mastropietro (JA-2) .....(212) 264-8620  
Mid-Atlantic Field Office, RIGA Glenn D. Merski (JA-3) .....(215) 446-4840  
Southeast Sunbelt Field Office, RIGA James D. Duerre (JA-4) .....(404) 331-5125  
Great Lakes Field Office, RIGA David K. Stone (JA-5) .....(312) 353-7781

## Appendix VI—OIG Offices and Key Officials

### Regional Inspectors General for Auditing (RIGAs) *continued*

|   |                |
|---|----------------|
| The Heartland Field Office, RIGA Arthur L. Elkin (JA-6)         | (816) 926-7052 |
| Greater Southwest Field Office, RIGA Rodney J. Hansen (JA-7)    | (817) 978-2572 |
| Pacific Rim Field Office, RIGA Joseph J. Brewster (JA-9)        | (415) 522-2744 |
| Auburn Sub-Office, Audit Manager Larry L. Pellegrini (JA-9/AUB) | (253) 931-7650 |

### Office of Investigations

|   |                |
|---|----------------|
| Assistant IG for Investigations, James E. Henderson (JI)        | (202) 501-1397 |
| Deputy Assistant IG for Investigations, Charles J. Augone (JID) | (202) 501-1397 |

### Regional Inspectors General for Investigations (RIGIs)

|  |                |
|--|----------------|
| Washington Zone Office, RIGI Gregory G. Rowe (JI-W)            | (202) 252-0008 |
| Philadelphia Sub-Office, Special Agent James Barry (JI-W/P)    | (215) 446-4830 |
| New York Zone Office, RIGI Daniel J. Walsh (JI-2)              | (212) 264-7300 |
| Boston Sub-Office, Assistant RIGI Joseph J. Dzikczek (JI-2/B)  | (617) 565-6820 |
| Chicago Zone Office, RIGI Harvey G. Florian (JI-5)             | (312) 353-7779 |
| Kansas City Sub-Office, Assistant RIGI John F. Kolze (JI-5/KC) | (816) 926-7214 |
| Fort Worth Zone Office, RIGI Charles D. Yandell (JI-7)         | (817) 978-2589 |
| Atlanta Sub-Office, Assistant RIGI Lee P. Quintyne (JI-7/G)    | (404) 331-5126 |
| San Francisco Zone Office, RIGI Liza Shovar (JI-9)             | (415) 522-2755 |
| Auburn Sub-Office, Special Agent Terry J. Pfeifer (JI-9/A)     | (253) 931-7654 |

### Office of Administration

|   |                |
|---|----------------|
| Assistant IG for Administration, John C. Lebo, Jr. (JP)                         | (202) 501-2319 |
| Human Resources Division, Director Arrie Etheridge (JPH)                        | (202) 501-0360 |
| Information Technology Division, Director Margaret A. Hamilton (JPM)            | (202) 501-3134 |
| Administrative and Financial Management Division, Director Marta M. Viera (JPF) | (202) 501-2887 |

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